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BULGARIA

Varna Chairman Interviewed on Economic Future

22000117 Sofia RABOTNICHESKO DELO in
Bulgarian 6 Sep 89 pp 1, 3

[Interview with Dimitur Popov, chairman of the executive committee of the Varna Oblast People's Council, by Nikolina Yambolieva; date and place not given]

[Text] [RABOTNICHESKO DELO] Comrade Popov, the time since the creation of the oblast may be too short to determine fully the opportunities of the new territorial communities. Nonetheless, what are the advantages you have seen?

[Popov] The oblasts cover areas within which technological connections had already been established under the previous okrugs. However, at that point their connection ended. What do I mean by this? Our oblast, for example, makes it possible to develop one of the areas related to the sea and the maritime economy—shipbuilding and navigation. It can also develop in depth, for the former Tolbukhin, Shumen, and even Burgas Okrugs have plants and units engaged in shipbuilding. The situation with engine manufacturing is the same. For the time being internal combustion engines, diesel essentially, are being produced only in Varna, at the Vamo State Company. With the new planned economic model for the oblast, it will become the basic, not to say its only producer. We planned the production of gasoline engines for Soviet passenger cars at the Mayakmetal DF [State Company] in Tolbukhin. Adding to this the output of the Madara DF in Shumen, which will consist mainly of engines for trucks and various modifications for special model cars, we can see how technological ties become stronger and we obtain a real production concentration and create conditions for the multiplication effect. That is precisely the contribution of the organization of companies.

The same prevails in the food, chemical, and biotechnological industries. The state Polikhim Company in Devnya includes plants which have and previously also had strong technological ties and were actively cooperated but belonged to different associations and even ministries.

[RABOTNICHESKO DELO] You mentioned a new economic model for the oblast. What are its strong points in terms of areas and sectors and what are the criteria for its development?

[Popov] We are in the process of drafting a new structural model of the economy. Some of the elements are almost clear and we are already discussing some priority areas. Let me add the others—transportation and communications, construction, agriculture, and economic tourism. It is clear that in this part of Bulgaria, on the Black Sea shore, there will have to be a commercial fleet, shipbuilding, and the development of chemistry, biochemistry, and biotechnologies, for we have here the

natural raw material sources. We have inexhaustible amounts of limestone, large quantities of salt and water, and the possibility, through the ports, to import fuels and raw materials.

We do not intend to abandon any one of these directions but intend to engage in a true technological updating of a high percentage of capacities and make their output market-oriented. Examples in this respect already exist. One of them is the Polikhim DF. Within a very short time, with the consortium involving the participation of several countries, including Japanese companies, a powerful modern installation for the production of dichloroethane was completed. This is a product oriented for the market, which will allow the company rapidly to undertake the necessary modernization and updating the facilities of its remaining production units.

There also is the updating of the Bulgarian maritime fleet, which will make it possible to be present at the market, as the professionals say, and to sell a large percentage of Bulgarian goods, to engage in import and export, operations and be also accepted as a hauler of goods by other countries. There also is a concept and program on which, unfortunately, the work is not being done at the necessary pace. Bulgarian shipbuilding is still not actively participating in its implementation. This question must be refined with the help of the government and the respective ministries and companies.

If I were to sum up the trends and indicate the basic points of the new economic model, they would be the following: improving territorial production forces through structural reorganization; updating the established material and technical facilities; the more efficient utilization of natural resources and other availabilities; high quality and competitiveness of output, assessed on the basis of the criteria of the international market. With this foundation for the strategy of development of the oblast by the year 2005, the overall volume of output will nearly double; social labor productivity will increase by a factor of 2.5; net output will more than double and overall profits will triple.

[RABOTNICHESKO DELO] We are speaking of the future which will largely depend on the solution of the problems which appear in terms of labor resources, both now and in the future. Will the labor collectives be able to cope with their tasks in 1989?

[Popov] In the past few months there have been serious disturbances in the activities of many of the companies and branches which are basic to the oblast. The production rhythm was disrupted and some indicators of the July plan were not fulfilled in terms of volume and quality. I shall not discuss the steps of a temporary nature which were taken by the municipalities and the oblast as a whole or the feeling of responsibility displayed by the entire population and the help provided by the working people from other parts of the country and the brigade leaders.

Despite the difficulties we are expecting the overfulfillment of the annual task in terms of overall profit, social labor productivity, and net output. With a maximal mobilization of our forces we can fulfill the plan for the commodity output as well by surmounting the lag which has developed in Shumen municipality, in excess of 15 million leva, and the municipality of Novi Pazar, in excess of 13 million. We are doing everything possible to produce additional goods worth 86 million leva and to achieve above plan exports. We are pleased with this year's results concerning wheat, barley and beans. According to our data output from 2.5 million decares of wheat place us second in the country.

The closing down of some activities and redirecting the manpower to the structure-determining sectors is one of the durable steps taken. The truth is that for many years we have been struggling to upgrade real labor productivity and the time has now come to do so and to work the way the advanced countries do. That is why in some areas and activities difficulties are being eliminated more easily. The problems exist in skills such as casting workers, blacksmiths, and some varieties of construction specialists. We seek the solution of such problems in upgrading labor productivity by several hundred percent in some areas through proper organization and incentive hourly wages. Not least, this is being resolved with the use of new technologies and equipment. These problems are included in the programs of the municipalities and the oblast.

Let me immediately point out that all of this involves financing. For the time being, the current tax regulations and taxation substantially hinder the collectives. More funds should be left at the disposal of the companies and their branches in order to ensure a fast renovation of output.

[RABOTNICHESKO DELO] This was a difficult summer not only for the farmers but also for their partners in the cities. How can we compensate for the "drained" manpower from the countryside?

[Popov] The changes which were made demographically made some structural changes in agriculture imperative. The 122 collective farms, their administrative councils, and their general meetings must clarify once and for all and specifically the crops which they will grow, guided also by the tasks assigned by the state. The trend is toward reducing the essentially industrial crops and, instead, increasing the areas in grain and grain-fodder crops.

As to the rest, we shall rely on higher labor productivity, improving the quality and the strain structure and on new technologies. We are also preparing other things such as, for example, in the area of sheep breeding. The model toward which we are orienting ourselves is the so-called New Zealand farm. This will make it possible for a shepherd to raise 500 instead of 120-150 sheep as is currently the case. This will eliminate the need for nearly 1,000 shepherds.

[RABOTNICHESKO DELO] You mentioned hourly wages as stimulating. What place is assigned in the oblast and municipal programs to farming methods which will increase the interest of producers?

[Popov] The basic principle of work in collective farms will be the piece rate-leasing form of farming. The attitude toward piece rate and leasing methods can be seen in the cow farms, in the fields, and in the vegetable and fruit gardens. We are doing active work in the area of services, in accordance with the resolutions which gave us grounds for the application of this approach. We have many such projects in trade as well. We are concerned, however, by the fact that we are unable to organize private companies by citizens for the production of goods particularly those in the greatest demand and thus to solve the problems of the market.

[RABOTNICHESKO DELO] My final question is this: What will happen to the depopulated villages?

[Popov] Depopulated may not be the most accurate word. In some areas about 40-50 percent and, in some places, about 60 percent of the population has left but there are indications that in the next few years people from other parts of the country will come here. I recently visited the areas of Venets and Khitrino Villages and met with families in Pazardzhik who would like to settle in those villages. For the time being, these are isolated cases but these are beautiful and well urbanized villages with a wonderful road system. The land is fertile and returns are good. That is why I am an optimist. I think that even some residents of our larger cities may take a look at those villages.

CZECHOSLOVAKIA

Rationale for Soviet Troop Presence Questioned

23000229 Bonn RHEINISCHER MERKUR/CHRIST UND WELT in German 18 Aug 89 p 7

[Article by J.K. Prager: "The Great Lie About an Invitation"; first paragraph is boxed item]

[Text] Prague—A voice from the CSSR of today calls to mind the 21st anniversary of the invasion: As long as Mikhail Gorbachev does not seal the end of the Brezhnev Doctrine with a withdrawal of the Soviet forces from the CSSR, his picture of a common European house is doomed to fail. The withdrawal should be the precondition for the conclusion of the Vienna negotiations on a reduction of forces.

The trauma of 1968 is still weighing upon the CSSR today and even on the generation that came into the world at that time. The world has taken a huge step forward in the past 20 years; stagnation prevailed in the CSSR. The political and economic conditions of the country are still based on the principles that were established in the 2 or 3 years after the invasion of the Warsaw Pact forces. It is only since last year that the government

has been attempting an economic reform but it is having a hard time getting used to the idea of the inevitability of a political reform.

Above all it needed the confidence of the population and the first step in this direction would be a realistic analysis of the events of 1968. Such an analysis, above all the invasion of the 400,000 Soviet soldiers into the CSSR, is indispensable for the further development of European relations.

Gorbachev's picture of a "common European house" is very promising. It has the scent of a freshly baked cake and is full of friendly words. But as long as Gorbachev does not declare the Brezhnev Doctrine dead and does not subject its application in the case of the CSSR to an honest analysis, the idea of a European house will be discredited through this past. That should also be the basic prerequisite for all negotiations between the superpowers on the future of Europe.

I would like to remind you of some well-known facts. Through the invasion by its Army, the Soviet Union violated those international legal norms and principles of international relations that it itself has always proclaimed, especially the rejection of threats and the use of force. In this connection, to be sure, it has established a kind of half-legal foundation—in the final protocol of the meeting of the top representatives of the Warsaw Pact states on 11 August 1968 in Pressburg (Bratislava). One paragraph of this protocol states that the defense of socialism in one country is a matter for the entire socialist society. This protocol has never been revoked.

At that time, the armies invaded the CSSR under the pretext that counterrevolution prevailed in the country, that the country was facing an external threat, including by the "West German militarists," and that the Czechoslovak Government had appealed to the states of the Warsaw Pact with a request for help.

Malik, the Soviet Union's permanent representative in the Security Council, delivered a letter to the chairman of the Council on 21 August 1968. It stated: "The military units of the socialist states have entered the territory of the CSSR at the request of the government of this state...in view of the threat of foreign and domestic action against the socialist order and the constitutional regime of the CSSR."

This lie was contradicted by Ludvik Svoboda, the president of the republic, at an official assembly: "We have not invited anyone..." Also by the government and parliament in an official statement and by Gustav Husak, the current president of state, in an article in the Slovak daily newspaper PRAVDA dated 29 August 1968 with the words: "I do not know a single leading representative of Czech or Slovak political life about whom one could declare with certainty that he has taken such a step."

To this day no one has declared that the Soviet Union was invited. And to date the Soviet leadership also has not said who invited the Army. This lie is still there.

In the Soviet scenario, namely, something went wrong in those days. In those August days of 1968, the then President of State Svoboda had refused to confirm a government comprised of people approved by Leonid Brezhnev. It was supposed to justify the invasion politically. These people did not find the courage to take action against the will of the president and above all against the opposition of the entire nation, which flared up against the invasion. Politically, then, the operation remained hanging in the air and it remains there to this day. And this event must be considered in the Vienna talks now under way on conventional disarmament.

With the invasion of the CSSR, the Soviet leadership showed how it envisages the relations of a superpower with a small country. In accordance with such a scenario, it is obviously sufficient when any group of people in any state declares itself to be the sole bearer of revolutionary ideas and invites the Soviet Army into the country to defend these ideas. That is supposed to be enough so that the Soviet Government will indeed send its troops.

Such a pretext can easily be found. China, for example, would have had every right to intervene in Vietnam, or Vietnam in Cambodia and so on. There are people everywhere who are willing to cooperate with a foreign military power.

Could a similar situation arise even in Finland or Austria? If the world tolerates this practice, it may also be applied in other situations. If, therefore, the principle were to be applied in international relations that any group of citizens of a state has the right to call the army of another state into the country, then chaos would result. But it appears that the Soviet Union adheres to this principle, for up until now it has not condemned its practical application in the CSSR.

The political developments in the CSSR during the first weeks after the Soviet invasion bore the signs of the developments in an occupied country. The prime minister, the chairman of parliament and the general secretary of the Communist Party were arrested and forcefully abducted to Moscow along with other political representatives. There, under humiliating conditions, they were forced to sign the "Moscow Protocol," in which they obligated themselves, in accordance with the wishes of the Kremlin, to carry out political, economic, and personnel changes.

In October 1968, the Czechoslovak Government, in turn, was forced to sign the treaty on the temporary presence of the Soviet forces in the CSSR. The treaty expressly states that these forces will be withdrawn as soon as the situation in the CSSR is consolidated. The mentioned brief to the Security Council states: "The forces will be withdrawn from the territory of the USSR as soon as the current threat to security is eliminated and

the lawful authorities determine that the continued presence of these units is no longer needed."

I want to skip over the well-known fact that under international law treaties that were entered into under coercion are not recognized. A single treaty from October 1968 is known on the temporary presence of Soviet forces in Czechoslovak territory. It includes the principle that I quoted from the letter to the chairman of the Security Council.

What are the consequences for the current situation? Either the Soviet leadership views the situation in the CSSR as not consolidated, in which case it leaves its forces in the country. Then the Brezhnev Doctrine is still in effect and the CSSR is an occupied country. Or, if the Soviet leadership sees the CSSR as consolidated, it must call away its forces in accordance with the mentioned treaty.

In no case should this contingent be considered in the Vienna talks on conventional arms reductions, because according to the treaty these forces in the CSSR have the functions of maintaining order only. If the West were to agree to only a reduction of Soviet forces in the CSSR, this would mean that the Brezhnev Doctrine and eo ipso the 1968 invasion of the CSSR by Soviet forces are still valid.

These are perhaps only details on the large viewing screen of the current European situation but Stendhal once said: "All truth and all pleasure are based on details."

HUNGARY

Workers Guard Reform Proclamation, Response

Proposal To Disband Guard

25000441b Budapest NEPSZABADSAG in Hungarian
4 Sep 89 p 5

[Unattributed article: "Two Days of Debate, Letter to Party Membership: Reform Circles Want Radical Renewal; Workers Guards' Statement"]

[Excerpt] [Passage omitted]

■Box, p 5■

On Sunday, the following statement issued by workers guards participating in the reform circle meeting caused great sensation:

"In the spirit of peace, and recognizing society's fear of force, we profess that the Workers Guard organization must be liquidated. It has fulfilled its historic mission; it has performed its function.

"Today, the construction and protection of democratic socialism should be accomplished by regaining the confidence of citizens and by proclaiming an appropriate economic and social alternative, rather than with the

weapons of a volunteer body. We want democracy and a constitutional state, and no party should have an armed body.

"The country is in need of armed forces. But a volunteer (armed) body should be established and organized only on the basis of an agreement among the parties, and a law enacted by Parliament. Society's new (armed) body must be directed either by Parliament or by the president of the republic. That body must be freed of struggle among political parties, and admission to its ranks must not be dependent on party membership.

"It follows from the above that the new name of the organization must be neither Workers Guard, nor National Guard. We recommend the name National Guard [different word with the same meaning in Hungarian].

"We do not wish to walk away from the barricades, we want to tear them down in the interest of a democratic future. We are prepared to serve in the National Guard."

The statement was signed by 10 Workers Guard participants at the national conference. [end box]

Response to Proposal

25000441b Budapest NEPSZABADSAG in Hungarian
5 Sep 89 p 4

[Unattributed article: "Workers Guard Spokesman on Proclamation by 10 Workers Guards at the Reform Circle Meeting"]

[Text] Based on MTI reports, news of the proclamation made by 10 workers guards participating at the second national conference of the Hungarian Socialist Workers Party [MSZMP] reform circles meeting was reported Sunday on radio and television, and Monday in daily newspapers. The proclamation expressed the workers guards' view that in the future no party should have an armed body, that the Workers Guard should be disbanded and reorganized so that it is relieved from the struggle between parties, that the organization should have a different name, and that party membership should not be a prerequisite for admission to the Workers Guard. Further, the proclamation stated that unless the armed organization recommended by the signatories is established, the signatories will surrender their arms.

On Monday, the National Workers Guard Command was flooded with telephone calls from workers guards expressing disbelief about the proclamation made by 10 of their comrades.

The workers guards were aware that there were 23, not 10 workers guards present at the reform circle forum, but that the rest did not sign the proclamation. They obviously knew that the Workers Guard is no longer the armed body of a single party. In a position taken by the MSZMP Central Committee [CC] on 8 May 1989, all previous resolutions made by the CC concerning party

direction of the Workers Guard were revoked. At its 15 June 1989 session, the Council of Ministers ordered that the Council should have sole authority to direct and to supervise the Workers Guard.

Those who signed the proclamation also disregarded the fact that much of their recommended innovations had already been implemented, and that other recommendations are now being considered. For example, Workers Guard membership is no longer dependent on membership in any party. This is proven by the fact that Workers Guard members are not admitted by MSZMP organizations, but by the collectives of subordinate units within the Workers Guard, and by the fact that in addition to MSZMP members, members of the Social Democratic Party, the Hungarian Democratic Forum, the Alliance of Free Democrats, the Independent Hungarian Democratic Party, and other parties and organizations serve in the Workers Guard. Moreover, about two-thirds of Workers Guard candidates preparing to take their oath this year are not affiliated with any party.

Within the Workers Guard there is a reform committee appointed by the national commander. The reform committee has made recommendations concerning the name of the organization, its insignia, the colors of the banners of Workers Guard troops, persons and events after whom such troops should be named, the text of the new oath, the way workers guards should address each other within the organization, etc. The reform committee has sought the views of the commanders and of many workers guards on these issues. This same reform committee is working to make the tasks and organizational structure of the Workers Guards more specific. These recommendations will be forwarded to an interministerial committee of the government.

Workers guards and the national command accept, and will forward that part of the proclamation which calls on the Workers Guard to be involved primarily in the mitigation of natural disasters, in saving life and property, in maintaining public order, and in performing border guard and police duties. Nevertheless, the performance of these tasks clearly necessitates that this kind of volunteer service core be provided arms.

Workers guards protesting the proclamation found it odd that 10 of their comrades had chosen this way to publicize their recommendations, when there is a way to submit such proposals within the organizations, as has been done already by several thousand workers guards.

Workers Guard Spokesman on Call to Disband Party Militia

25000458a Budapest ESTI HIRLAP in Hungarian
4 Sep 89 p 8

[Unattributed interview with Lajos Borzak, spokesman for the Workers Guard, on 4 September following the 2-3 September 89 National Conference of the MSZMP Reform Circle: "Will the Workers Guard Be Disbanded?"; place of interview not given]

[Text] A statement by ten members of the Workers Guard was read at the National Conference of the MSZMP Reform Circle, which ended yesterday [3 Sep 89]. The statement caused great commotion and triggered sharp debate. In their statement the guardsmen declared, among other things, that the Workers Guard organization ought to be disbanded. We interviewed Lajos Borzak, spokesman for the Workers Guard.

[ESTI HIRLAP] Opinion holds, not only outside but also inside the Workers Guard, that the corps has fulfilled its historical mission. What does this statement tell you?

[Borzak] This is merely the opinion of ten people, not of all 60,000 guardsmen. Incidentally, there were many more than just the ten guardsmen present at the weekend conference, and they have already protested against their comrades' letter. Perhaps the public has not paid much attention to what has been happening in our organization in recent months, and it probably cannot know in which direction we are heading. But the members of the corps know very well that we are no longer the party's militia. The Council of Ministers has adopted a resolution to that effect.

[ESTI HIRLAP] Let the corps, which would be formed of volunteers and would serve society, be called the National Guard. At least that is what the proposal introduced yesterday calls for. In the spirit of rapprochement, would your organization be willing to change its name?

[Borzak] An interdepartmental committee, chaired by the defense minister, has been formed to consider the possible future mission of the Workers Guard, its new name, and how it should continue to operate. The guardsmen know about this as well, because we have contacted all the units in the country and have requested that they to send in their suggestions. We will be holding a national conference of Workers Guards commanders on 25 September. The conference will consider our possible insignia, and whether guardsmen should address one another as "fellow soldier," instead of "comrade." Of course, renaming the Workers Guard will also be discussed, although the final say in this matter will be up to the legislators. Everyone might as well accept the fact that under the one-party system the party's will prevailed within our organization as well; but now the members of several parties and organizations are also bearing our arms. This year, in a departure from past practice, new members are coopted by our subunits, rather than selected by the MSZMP locals. And when they take their oath, the new members pledge to uphold the Constitution, instead of pledging to support the policies of the MSZMP.

Gallup Poll Rates Confidence in Institutions

25000458d Budapest NEPSZABADSAG in Hungarian
22 Aug 89 p 3

[Text] The editors of THE SUNDAY TELEGRAPH have made available to NEPSZABADSAG a summary of the results of the Gallup Organization poll they commissioned on Hungary and published in their paper. In the following we present excerpts from that summary.

The respondents were asked to rate their degree of confidence in ten principal Hungarian institutions. As the independent press and the other state-run mass media are relatively free, it is not surprising that Hungarians expressed the most confidence in their press, radio, and TV.

More surprising is that the churches ranked second (with 67 percent), even though only about one Hungarian out of every five goes to church at least once a month, which is approximately the same proportion as in Great Britain.

The Hungarians made a distinction between their relatively high degree of confidence in the government (62 percent) and their rather low degree of confidence (35 percent) in the Communist Party (the MSZMP).

The answers to supplementary questions confirmed the above fact: A majority of Hungarians believed that the present government would be able to at least partially solve the country's economic and social problems. Two out of every three Hungarians believed that the present government was introducing successful reforms that eventually would lead to the system's democratization. A majority (53 percent) expressed confidence in Parliament.

The most surprising result was the relative absence of confidence (35 percent) in the new political parties, including the Hungarian Democratic Forum and the democratic parties.

When the respondents were asked whether these parties, in comparison with the present government, would be better able to solve the problems confronting the country, only one out of every ten respondents shared this view.

Degree of Confidence in Hungarian Institutions (in percentage of respondents)

Press	72
Churches	67
Government	62
Army	58
Parliament	53
Police	48
Warsaw Pact	39
MSZMP	35
New parties	35
Trade unions	24

Degree of Confidence in Hungarian Institutions (in percentage of respondents) (Continued)

Voter Support for Presidential Candidates (in percent)

Imre Pozsgay	34
Miklos Nemeth	16
Zoltan Kiraly	8
Rezső Nyers	6
Matyas Szuros	4
Karoly Grosz	3
Gyula Horn	2

The first poll ever conducted by Gallup in Hungary revealed that only one out of every four Hungarians (26 percent) would vote for the Communist Party (MSZMP) in the next general election. But the poll also showed that support for the opposition parties was very divided.

According to the summary, the Communist Party will not get an absolute majority, but it could be the strongest party within the new government.

When asked which foreign nations they liked the most, the respondents voted the Americans as the most popular nation (64 percent), followed by the Japanese (56 percent), the Germans (52 percent), the British (50 percent), and the French (47 percent). The Russians turned out to be the least popular (38 percent).

When asked about their attitude toward socialism, less than one-fifth of the respondents felt that socialism had a future. Most respondents felt that a radical change in the system was necessary, and even the Communist Party's supporters were rather divided on this question.

Other questions revealed strong support for the efforts to unify Eastern and Western Europe. Four out of every five Hungarians voiced approval of joining the European Community, because they felt that this was important for Hungary's future.

Voter Support, Cognizance of Parties and Their Programs

Political Parties	Would Vote for	Heard of Party	Acquainted With Program
MSZMP	26	92	30
Hungarian Democratic Forum	9	72	13
Independent Smallholders Party	7	75	10
Social Democratic Party	7	72	12
Association of Young Democrats	5	75	12
Hungarian Independence Party	4	44	3
Alliance of Free Democrats	4	53	6
Christian Democratic Party	3	49	5
Environmentalists	3	57	11
Hungarian People's Party	2	43	—
Undecided	28	—	—

Attitudes Toward Socialism (in percentage of respondents)			
	Jointly	Party Members	
		Communist	Opposition
Hungary would be better off had the Communists not come to power in 1948	29	11	40
Socialism's opportunities have been exhausted; a radical change is necessary	48	40	48
Socialism still has a future	19	46	10

Cities Circulate Petition, Demand Home Rule

25000445b Budapest NEPSZAVA in Hungarian
5 Sep 89 p 16

[Article and interview with Jozsef Fulop, Sopron MSZMP Committee first secretary, by Attila Csarnai: "Sopron Demands Autonomy"; date and place of interview not given]

[Text] On 14 December 1921 Sopron stood on its own feet. On that day citizens decided by popular referendum whether their city should belong to Austria or to Hungary. A majority of residents voted for Hungary because their hearts and minds were attracted more by this country. But they also proved that they wanted to decide their own fate.

This matter was discussed at a Monday morning conference in Parliament, at which a 3-person delegation from Sopron, and National Assembly Vice President Lajos Horvath, took part. Heading the delegation, Jozsef Fulop, Hungarian Socialist Workers Party [MSZMP] Sopron Committee first secretary, announced that Sopron has forwarded a proclamation to every Hungarian city and municipality to support not only Sopron's, but their own quest for autonomy. Thus far 33 cities and one municipality have joined the movement, and the proclamation has been signed by more than 10,000 individuals. This number may grow, and they hope to collect 100,000 signatures, a threshold figure for popular initiatives. The essence of their demand is that cities—primarily Sopron—should receive autonomous rights to self-government. This would mean a reduction in political and economic dependence on the central power. Local people would be entitled to make decisions concerning local affairs. The economic base could be realized in part from taxes and by giving economic units self-managing autonomy, and in part through state support. This, however, would require legal guarantees. For this reason they are urging the enactment of a law on self-government, rather than a law on councils. Mrs Rezso Weiszbock, Sopron National Assembly representative, added that in September or October she would call on the Minister of the Interior to allow their cause to succeed as soon as possible.

In his response Horvath said that a law on autonomous self-government is being developed, but it is likely that

the new Parliament will deal with the issue. In any event, Horvath considered the request just, and promised to convey it to the Minister of the Interior. Following the brief conference Horvath accepted the list of signatures.

I asked Fulop in the conference room:

[NEPSZAVA] Are you going straight home or do you have other things to accomplish?

[Fulop] We are going straight to the minister of the interior to present our demands personally. We would like to see action on this matter as soon as possible.

[NEPSZAVA] In your view, when can autonomous self-government become a reality in Sopron?

[Fulop] Perhaps by next year. But I have in mind not only our city, but all settlements in the country. On the other hand, Sopron is the initiator, it could serve as an example.

[NEPSZAVA] What benefits would self-government provide?

[Fulop] I will mention a few examples. Although Sopron has significant foreign tourism, the city has seen hardly any of the profits. We could also make better use of Lake Fertő if we were to decide its fate. In general, local residents could at last feel that they are managing their lives. We talk a lot about the importance of grassroots initiatives; now the time has come to act.

[NEPSZAVA] What is your perception of autonomous property?

[Fulop] Various economic units, such as state farms, could become autonomous properties. Awareness of ownership would thereby be strengthened, and the farm would become more efficient.

[NEPSZAVA] What would the role of councils, for example of county councils, be?

[Fulop] These do not fit in our concepts, there would be no need for them. A county office must be established as a forum for reconciliation, without autonomous rights to self-government. This office would perform the functions of authorities only. Local autonomies would be responsible only to Parliament.

[NEPSZAVA] Should the MSZMP county committees perhaps be discontinued along this pattern?

[Fulop] Precisely. The need calls for secretariats rather than committees, but these secretariats would not produce resolutions. City party committees would be in touch with the national leadership. Thus a more direct relationship would evolve, in which local interest would receive more attention, and a superfluous, bureaucratic link in the chain would cease to exist.

MDF To Field Candidates in Every District*25000458c Budapest ESTI HIRLAP in Hungarian
5 Sep 89 p 3*

[Article by Zsuzsa Bihari: "The MDF Will Run Alone"]

[Text] The Hungarian Democratic Forum [MDF] does not desire, and refuses, to form a coalition with any other party or movement, at least until the free and democratic elections. The MDF leadership has decided to field its own candidate in every district, in the first round of the elections. Csaba Gy. Kis, spokesman for the MDF, announced the standpoint of the MDF National Presidium even before the press conference scheduled for noon today.

Chief Physician Gyorgy Marx, the MDF candidate for deputy to the National Assembly who will be opposing the respective candidates of the MSZMP and the Social Democratic Party in the byelection to be held in the Zalaegerszeg district on Saturday next week [16 Sep 89], will report at the press conference on his election campaign and the party's prospects of winning.

Jozsef Antal, the staff member of the MDF National Presidium who is in charge of relations with other parties and has a seat at the Opposition Roundtable, will report on what transpired at the intermediate-level political negotiations yesterday [4 Sep 89]. And there will be a report by the MDF leaders of the Pecs and Baranya County campaign to gather signatures for the recall of Gyorgy Aczel, the district's representative in Parliament.

MDF Obtains Enough Signatures for Recall*25000466b Budapest NEPSZAVA in Hungarian
14 Sep 89 p 4*

[Text] The recall of [National Assembly] Representative Gyorgy Aczel was the topic at yesterday's press conference organized by the Pecs-Baranya County Hungarian Democratic Forum [MDF] organizations at the county seat. Between 27 August and 5 September the MDF collected a sufficient number of signatures to recall the representative, but they continued their signature drive for a few more days. The purpose of the extended activity was to appear in every area in each district represented by Aczel. Thus the 3,366 signatures collected in Pecs District 1 were handed over to the chairman of the city's election commission. About 60-70 percent of the voters contacted agreed with the recall proposal. With the signatures the majority protested the "institution of long distance representation." The passive representatives of the critique condemned Aczel for his activities and mistakes made in cultural policies.

Recently Baranya County newspapers have published two open letters written by Aczel. In MECSEKI BANYASZ the representative voiced his support of the future of miners and mining. In DUNANTULI NAPLO, addressed to the MDF, Aczel wrote that his physicians are keeping him away from the political struggle, and thus also from the elections for another few months.

Earlier the MDF decided to temporarily suspend the recall action due to the politician's heart attack. Nevertheless, the Baranya county organizations of the movement continued their initiative. Their main argument is that if the representative's work in the National Assembly is not influenced by his physical condition, he should also be able to participate in the election struggle. On the other hand, if the representative is impeded for an extended period of time in performing his duties in the National Assembly, that also suggests that Aczel should resign his mandate.

No Police Record of Destroyed Samizdat Property*25000446b Budapest HETI VILAGGAZDASAG in Hungarian
2 Sep 89 p 8*

[Unattributed article: "Where Are the Records"]

[Text] According to information received from the Ministry of the Interior on Monday, the offset printing machine confiscated from AB Independent Publishers on 8 May 1988 is to be transferred to the Alliance of Free Democrats [SZDSZ]. (At the same time they confiscated 1,200 copies of the periodical HIRMONDO, published under the editorial supervision of Gabor Demszky.) Ferenc Pallagi, deputy minister of the interior, confirmed that they have destroyed samizdat books, periodicals, other printed materials, and manuscripts confiscated in the 1980's, thus denying reports that large quantities of books and periodicals are scattered around the cellars of police buildings. The Ministry of the Interior was unable to say where the records concerning the destruction (burning?) of the confiscated printed materials could be found. Legal provisions in force require that such records be attached to case files in every instance. Ferenc Koszeg, perhaps the last person from whom a samizdat publication was confiscated in June 1988 (a work entitled "The Afterlife of, and the Lessons Learned from the Hungarian Revolution" in 540 copies), said that based upon sales value, millions of forints worth of prohibited literature and stencil duplicating machines were confiscated by the police on misdemeanor charges under the press law and as a result of court proceedings since 1982, and since 1984 under police jurisdiction based on rule violation proceedings. (Finance Ministry decree No 26/1968 is still in force. It provides for the consignment sale of confiscated objects, and prescribes that destruction of such objects must take place with the prior approval of the rule violation authority, in the event that the sale of such objects "is not possible for some reason.")

MSZMP Statements on Role of Media Conflict*25000446a Budapest HETI VILAGGAZDASAG in Hungarian
2 Sep 89 p 9*

[Unattributed article: "Whom Should We Believe?"]

[Text] Speaking on the management of Television, Janos Barabas, Hungarian Socialist Workers Party [MSZMP]

Central Committee [CC] secretary, explained the following on Sunday's TV 2 program: "The government is the nation's government; its interests, value commitments, and emphases cannot be violated by the nation's television. I regard the government's viewpoint, the direction provided by the government, as essential. Today the MSZMP as a political force governs. It is thus the most natural thing in the world that television should reflect primarily the endeavors of that government."

Barely a few days earlier, on 24 August, Jozsef Csikos, MSZMP deputy division director and committee member at the national roundtable negotiations, read out the basic principles of openness which will govern the functioning of the national mass communication institutions until the start of the election campaign. These principles were adopted by the three sides in the I/5 working committee.

Among other matters, the basic principles state that "the Hungarian News Agency [MTI], Hungarian Radio, and Hungarian Television as national public service institutions ensure that they will report on Hungarian political events, and social, political, and economic processes on a nonpartisan basis; that they will treat the appearance and positions taken by various political forces and their representatives on an equal basis; and that they will convey the election opportunities of parties and organizations under equal conditions..."

MSZMP Unity Group Protests FIDESZ Statements

25000466c Budapest NEPSZAVA in Hungarian
14 Sep 89 p 4

[Text] "We were shocked to learn that at the 12 September Zalaegerszeg election rally Victor Orban presented a demand—not for the first time—that the 'Communists must be sent on their way' Zsolt Nemeth (also a FIDESZ [Association of Democratic Youth] member) said that '... Communists must be pounded into clay.' We object to the repeated, and increasing number of aggressive, inciting voices, because such manifestations generate negative emotions, provoke social conflicts, and ruin the chances for a peaceful transition and for a national reconciliation. For this reason we call upon sober-minded persons who advocate constructive cooperation to stop Uit Orban and his associates.

[signed] The coordinating group of the Unity for the Renewal of the Hungarian Socialist Workers Party [MSZMP]

Old Coat of Arms Replaces Red Star at Pecs

25000467b Budapest NEPSZAVA in Hungarian
15 Sep 89 p 16

[Text] Pecs has a new city coat of arms, or more accurately, the council decreed at its Thursday meeting [14 Sep] to restore the old coat of arms in its own rights. At issue is a Baroque coat of arms issued in 1780,

donated jointly by Empress Maria Theresa and King Joseph II on the occasion of Pecs' release from under the authority of the bishopric and becoming a free royal city. The council also decided that in the future, just as before, the coat of arms should decorate the city hall tower, replacing the present five-pointed star. The resolution was adopted with no negative votes, but with four abstentions. This will be the first instance at Pecs where the star considered to be the party symbol will be removed from a public building. The action is also symbolic in that the city's autonomous government took the first initiative. The coat of arms will be placed on top of the tower this fall.

'Workers' Council Day' Proposed for 23 Oct

25000467a Budapest NEPSZAVA in Hungarian
15 Sep 89 p 4

[Text] The Workers Leftwing Alternative Committee has issued a position statement concerning the celebration of 23 October. They call attention to the fact that while declaring 23 October a national holiday would risk the release of extreme emotions, the celebration of 23 October as the Day of Workers' Councils would meet with broad national approval. This solution would underscore the historically most progressive phenomenon produced in 1956. For this reason the Workers Leftwing Alternative Committee (1502 Budapest, P.O.B. 30) recommends that 23 October become a national holiday known as the Day of Workers' Councils, which of course does not rule out the celebration of the broader contents of this anniversary date.

Zala Board Publishes Reform Proposals

25000466a Budapest NEPSZABADSAG in Hungarian
13 Sep 89 p 4

[Text] In the early morning hours of 30 July the Hungarian Socialist Workers Party [MSZMP] Zala County board chairman expressed words of thanks for the party membership having formed an alliance with the new leaders. A month later a small manual could be found in stores. It contains four proposals concerning changes in the organization and the functional order of the county party organization, the minutes of debates concerning these proposals, and brief recommendations, in addition to a description of winning perceptions advanced by local reform circles as to the kind of party they want to have. The volume's title: "Awaken, comrades!!!!" or the Zala model, both of which attest to the publication of the booklet at record speed, and the vigor of the renewed leadership.

International Management Center Studies Begin

25000458b Budapest ESTI HIRLAP in Hungarian
5 Sep 89 p 4

[MTI report: "Management Training in Budapest, Continuation in Pittsburgh; Tuition 600,000 Forints"]

[Text] The program for the training of young managers at the International Management Center in Budapest started according to schedule at the beginning of this week. Students enrolled in the 10-month program, taught in English, will gain a general knowledge of market-oriented management and business administration. The program has been planned in cooperation with foreign universities. Hungarian and foreign professors of international renown are supervising the courses.

After 2 semesters, the program will end with practical training at firms in the United States, France, Italy, Finland, Austria, South Korea, or Canada. Successful graduates will be given an opportunity to continue their studies in the United States, at the University of Pittsburgh. There were over 70 applications for enrollment in the first program.

After passing an entrance examination, 28 students have begun their studies. The tuition is 600,000 forints (about \$10,000). The Hungarian Credit Bank Corporation will refund half of this tuition fee to those sponsoring enterprises that maintain accounts with the bank. The Hungarian Economic Chamber and the Ministry of Industry are supporting the training of managers through scholarships.

POLAND

National Judicial Council, Judiciary Independence Proposed

26000681B Warsaw GAZETA WYBORCZA in Polish
11-14 Aug 89 p 5

[Article by Wanda Falkowska: "A Vicious Circle"]

[Text] Amid the roundtable decisions, the issue of ensuring the independence of the courts and the autonomy of judges occupied an important position. The appointment of the National Judicial Council was also to serve this purpose. The tasks of this institution, a highly placed one in the hierarchy of authority, are to include the submission of candidates for the position of judge, from among whom the president makes an appointment, and decisionmaking regarding the promotion of judges.

It also was proposed at the roundtable that the principle of the nonremovability of judges from office be introduced and incorporated into the Constitution. At the same time, the infamous regulation about the possibility of dismissing a judge, which is not an effective regulation as far as guaranteeing that duties will be executed properly, was to be dropped from the law on the structure of the universal courts.

The Solidarity-oppositionist side demanded that the reform of the judiciary should be ushered in without delay. The government-coalitional side noted the excessive load of the 10th term of the Sejm and the amount of time needed to prepare new regulations. Finally, a regulation was added to the Constitution regarding the

National Judicial Council and the nonremovability of judges along with the statement that the "powers, the makeup and the mode of operation of the National Judicial Council is defined by the law." Nearly 4 months have elapsed since that time, and the draft law is still not ready. According to information I have received from the Ministry of Justice [MS], work on the reform is in progress.

The appointment of the National Judicial Council is related above all to the needed to update the 1985 law on the structure of the universal courts. This emanates from the new makeup and powers of the judicial self-government established at the roundtable. Its tasks are to include the nomination of judiciary candidates, who will then be presented before the National Judicial Council.

The determination of the length of the term of the presidents and deputy presidents of courts and the selection of candidates by the general assembly of the judges of voivodship courts are separate tasks. Finally, the law on the structure of the universal courts must define precisely the legal exceptions to the principle of the nonremovability of judges. It is anticipated that there will be three: a judge's illness making it impossible for him to perform his duties, a sentence rendered by a disciplinary court and a ruling handed down by a penal court prohibiting the practice of his profession.

The other powers of the council are also an open question. There is a proposal that the MS should submit a report to the council as the highest judicial authority.

As I learned from the deputy minister of justice, Wojciech Tomczyk, the draft laws are to be completed by the end of August 1989. Then consultation will take place within the community of judges. A codification team also will have to be set up to adapt the law on the Supreme Court and on the Supreme Administrative Court to the proposed changes. In accordance with the roundtable provisions, it is expected that the term-of-office provision for Supreme Court judges will be eliminated.

This work is dragging on. Meanwhile, since the conclusion of the roundtable deliberations, the Council of State has rendered the nomination of judges based on the former principles. In the near future there will once again be a need to nominate new judges. Beginning with 1 October 1989, the judicial verification of delays will begin and the universal courts will also take over the determination of economic quarrels in conjunction with the elimination of arbitrage. These changes cannot be implemented unless the judicial cadre is strengthened. In some courts there are already vacant judgeships.

Against this scenario, there looms the danger of an impasse. The opposition represent the view that new nominations should be made according to the established procedure through the new regulations, based on the roundtable provisions. The MS is of the opinion that if the judiciary is to meet its mounting obligations, nominations cannot wait until the new regulations are

passed. Recently, Prof Bronislaw Geremek declared that, given the lack of new regulations, judicial nominations should be postponed, by virtue of a Sejm resolution, until such time as legislative work on the appointment of the National Judicial Council is completed. The prevailing conviction at the MS is that such a resolution would paralyze the work of the courts and would delay the reform. Would this lead to a vicious circle? One way out seems to be to speed up the work on the legislation.

Green Party's Internal Divisions Noted

26000686A Warsaw GAZETA WYBORCZA in Polish
8 Aug 89 p 6

[Article by Aaron Przem.: "Conflict in the Polish Green Party: Greens or Grays?"; last two paragraphs are commentary]

[Text] The Polish Green Party [PPZ], called into existence on 10 December 1988 by the Founding Congress, professes three principles that are written down in the Ideological Manifesto. The party is concerned with ecology, it is democratic and it is pacifist. At the moment of its birth it was the first organization of this sort in the people's democracies.

The publicity given to the founding of this new type of party (this is how they describe themselves—to be sure, Vladimir Ilyich has just turned over in his mausoleum) enabled them to hope for effective and concrete action in the battle over protecting the natural environment in Poland. Likewise, the invited guests, representatives of green groups from Western Europe and journalists sitting in on the deliberations, including several representatives of the official press, shared these. And so, the beginnings were full of promise. However, a cardinal error was committed when the executive organ of the National Board was appointed. The board was composed of three national spokesmen holding equal authority—Janusz Bryczkowski from Olsztyn, Leszek Konarski and Henryk Sobanski, both from Krakow. The consequences of this hyperdemocracy were to be disturbing ones.

Open conflict within the party began at the end of April and beginning of May 1989 in the case of J. Bryczkowski. At that time, he began his own election campaign on an independent mandate in Olsztyn. His candidacy to the Sejm was a violation of the content of the manifesto, which he was to abide by closely as a national spokesman. Moreover, he met with W. Jaruzelski on 11 May without the authorization of the rest of the leadership. He appeared at the KC building at the invitation of the then PZPR secretary as a "representative of the unofficial Green Party." Somewhat later (on 7 July), Bryczkowski gave a brief interview to a PAP journalist passing as a leader of the PPZ. The publication of this interview in several national dailies led to sharp opposition on the part of the majority of PPZ representatives.

The final division in the party took place on 24-25 June, when the Extraordinary Congress was called in Dolina

Bedkowska. Representatives from the majority of centers throughout Poland had gathered there. Representatives were not present from Warsaw and Olsztyn. As a splinter group, they were holding their own concurrent extraordinary congress in Warsaw on those days. By majority vote, the participants in the "democratic" meeting in Dolina Bedkowska recognized the Warsaw congress as illegal.

In a press communique issued after the close of the deliberations, the "real" Greens declared: "(...) The activity of Bryczkowski, who tries to take advantage of such organizations as the ZSMP [Union of Socialist Polish Youth] and the ZSP [Polish University Student Association], was recognized as destructive and leading to division within the party."

In following the work of the former spokesman for the Greens in Olsztyn, I had the distinct impression that he has a bad reputation both within the Olsztyn Citizen's Committee and in the circles of the PZPR local authorities. During the June election, he did not obtain the required 3,000 signatures, which is also indicative. On the other hand, the Lyna River area produced many comments on citizen Bryczkowski's one-time membership in the hunter's circle "Gon" under the TRYBUNA LUDU editorial staff. The phenomenon of combining avowed ecological convictions with his passion for hunting remains his deep secret.

As a side-note to the entire issue, one cannot but wonder at the obstinacy and the energy exerted in conflict, which could have been used to implement the goals the party sets for itself. Until the present time, except for a large number of prepared statements (only a few of which have concerned ecological issues in the strict sense) and several meetings, nothing has been done to implement these goals, even fragmentarily. I dare say that the issue of the endangered environment will not be resolved by people coming out in ties, sitting at the congress table, even if they are the greenest of the Greens.

Solidarity Regional Leader on Union Goals in Coal Mines

26000687 Warsaw GAZETA WYBORCZA in Polish
10 Aug 89 p 5

[Interview with Alojzy Pietrzycki, regional leader of Solidarity in Silesia-Dabrowa region, by Andrzej Stefan-ski: "We Are Not the Hub of the Country"; date and place not given]

[Text] [GAZETA WYBORCZA] Could only a miner be the leader of this region?

[Pietrzycki] I am the first miner functioning in this capacity. I have worked below ground as a mechanic in the July Manifesto mine in Jastrzebie for 20 years. I have been associated with Solidarity from the first minutes of the strike at that mine in 1980.

My election as chief of the region is due to the fact that I led the strikes in 1988; the vote of confidence I earned at that time was extended.

[GAZETA WYBORCZA] There are 734 Solidarity shop committees in this region, close to a half million members. Is that a lot or a little?

[Pietrzycki] Compared to 1980, little. At that time there were almost two million of us, and almost a thousand shop committees. Today, over most of our region, there are almost equal numbers of members of the National Trade Union Confederation (OPZZ) and Solidarity, with the OPZZ gradually losing members, while our union continues to expand. Every day we sign up a new shop committee.

The coal industry has the strongest Solidarity. The National [level] Mining Committee of NSZZ Solidarity has been in existence without interruption since 1980. This is the result of the strength and numerousness of the mining shops. That is why, in our region, the brunt of the battle for Solidarity rests primarily on the mines.

[GAZETA WYBORCZA] Don't the problems of mining dominate the work of the union?

[Pietrzycki] There is that tendency; it was evident at the last meeting of the Regional Executive Committee of Solidarity, with representatives of shop committees from all over the region. I said then, and I keep repeating, that although mining is important, it behooves us to remember those who heal and teach the miners, and many other professional groups, smaller in numbers but no less important. By themselves, they are unable to exert effective pressure in defense of their rights. We try not to look at our region only through the problems of mining. We are not the hub of this country, though that was drummed into us for many years. We recently supported the protest by workers at the Museum of History in Katowice against a 50-percent budget cut for the support of that institution. A drop in donations practically endangers the continued existence of the museum.

[GAZETA WYBORCZA] Who remains outside the union at present?

[Pietrzycki] Above all the intelligentsia. Our union is a workers' union. That became apparent especially during the August strikes in 1988; when the advisors from other centers dispersed to go home, we were left alone with no support. It has been very difficult to draw the intelligentsia into the Union.

[GAZETA WYBORCZA] Why?

[Pietrzycki] People are still afraid. In their subconscious there is always a current state of martial law. They keep remembering the tanks and the "palkarzy" [club-wielding student rioters, a historical term from the interwar period]. A lot has changed in Poland, but those who are responsible for martial law rule the country today.

Obviously, not everyone is terrified. Part of the intelligentsia is very active on citizens' committees. Our union needs those people and is waiting for their commitment to the work of Solidarity.

[GAZETA WYBORCZA] What kind of Solidarity would you like?

[Pietrzycki] Above all, one that is faithful to the ideals of August, 1980. A true spokesman and defender of peoples' rights. Those who are elected—represent, defend, and organize. The electorate—support and reinforce. All of this should be taking place on a foundation of mutual respect. I would also like it if the Solidarity labor union would assemble equally workers and intelligentsia. Only together is it possible to bring about positive changes.

[GAZETA WYBORCZA] In 1980, regional headquarters were in Katowice; today they are in Jastrzebie. Why?

[Pietrzycki] The first headquarters of the Silesia-Dabrowa Region was in Jastrzebie; later it moved to Katowice. Now it is in Jastrzebie again, because that is a very good place for strategic reasons: the most powerful mines in our region are concentrated here. It is imperative not to forget that not everybody is thrilled with the existence of Solidarity; we continually have to fight for our rights. However, the final decision about headquarters will be made by the regional conference of Solidarity delegates.

Growth of Youth Counterculture, Alternative Choices Discussed

26000686C Warsaw GAZETA WYBORCZA in Polish
8 Aug 89 p 6

[Interview with Janusz P. Waluszko, Alternative Society Movement, and Arek Marczynski, musical personality of "Antenna of the Shout", by Robert Tekieli: "A Scouting Alternative"; date and place not given; first paragraph is GAZETA WYBORCZA introduction]

[Text] During the last several years, a strong alternative underground has developed. It is made up of participants in the Alternative Society Movement, the Peace and Freedom Movement, the Anarchist Interurban, the punk movement, ecological movements, vegetarian movements, the defenders of animal rights, artists from the Orange Alternative and a dozen or so artistic groups (poetry, the happening, graffiti and the like).

[GAZETA WYBORCZA] The authenticity of the alternative movement is being threatened by media aggression. What do its creators have to say about this?

Janusz P. Waluszko (27 years old, the Alternative Society Movement): "The alternative music movement is governed by two different aims—on the one hand it must be authentic and, on the other, it should attain a certain professionalism. The movement which has been called a scouting alternative by its creators, i.e., such organizations are "I prefer to be," the Society of Chinese

Towels (a counterpart to the Orange Alternative) or the Scout Radio, Shortcut and the monthly "My World" manage to do an excellent job of this. They do this, deciding who is and who is not professional, and expanding the various styles in the alternative.

The rock counterculture has been totally manipulated, except for a few groups, publications and radio personalities. This is demonstrated by the decline of Jarocin and the attempts of various groups to warm up to the organizers of this festival and in this way to get concerts.

Arek Marczynski (23 years old, musical personality of "Antenna of the Shout", Cassette Publishing House): "Throughout the world, the alternative movement is a way of life. Meanwhile, the scouting alternative offers people worthless pap, a surrogate for a period of bump-tious youth, so that they can burn off everything they have within themselves by freeing an elephant or by listening to groups singing about Ela... The creators of this alternative use the energy of young people to their own end, at the same time making a lot of money (I wrote about this type of work of Tomasz Rylko, one of the editors of the Scouting Broadcasting Station, in "Antenna of the Shout"). The negative role of this alternative, however, is based on the creation of uninteresting musical groups, despite the fact that in this more independent circle, a number of more worthwhile groups are found, e.g., Deserter, the Champion of Dirt and Kasaya from Slask..."

Janusz P. Waluszko: "There is a hunger for alternatives which is deceived from beginning to end. The alternative issue Shortcut went for 1100 zlotys on the very day it came out (this issue is utter boorishness, manipulation based on the impersonation of the Chinese Towel Society, known only from the radio under the Orange Alternative). An authentic counterculture which does not have such possibilities for becoming universal is not in a position to quell this hunger. The state enters this gap. If the alternative movement does not mobilize in order to reach a wider body of people, a significant portion of the alternative generation will be mowed down and transformed into some sort of disco. Nothing else will remain then but to work obediently for the good of society."

Opposition Youth Group Identifies With Pilsudski Views

26000686B Warsaw GAZETA WYBORCZA in Polish
8 Aug 89 p 6

[Article by Przem.: "The Vocabulary of the Opposition: Free Poland"]

[Text] At the end of last year, during the series of street demonstrations in Warsaw, there was to be seen for the first time a red-and-white flag with the black letters W.P. painted on it. The remarkable activism of the young people under the W.P. flag was manifested during scuffles with ZOMO [Motorized Reserve of the Citizen's

Militia] and on the First and Third of May 1989. For many people, however, the initials printed on the national colors were completely undecipherable. Some people even associated them with the Polish Army.

Free Poland—for this is what the initials stand for—was established in September 1988. Its structures are kept secret. The W.P. aktiv recruits from among secondary school students and young workers. "These are people who are courageous, decisive, ready for everything and devoted to the fatherland with their whole heart," they say. Marshal Jozef Pilsudski was chosen the ideological patron of the group. His words "If they tell you that you will not penetrate a wall with your head, do not believe them!" have become the primary principle of the activities and the leading idea of the members of the W.P. The Free Poland organization operates on the conviction that any sort of understanding with an imposed authority is a political mistake, because "the place for the communists to be is on the prisoner's bench and not in the government." Hence the group called for an election boycott. The primary goal of the W.P. is to obtain freedom; its method is the "elimination of communists from all levels of authority" and the "removal of occupying Soviet armies from Polish lands." Under these slogans, the Free Poland group participates in rallies and demonstrations, which are the only form of their activity.

Farmer Responds to Rural Stereotyping, Local Nomenklatura Issues

26000705 Warsaw TYGODNIK SOLIDARNOSC in
Polish No 13, 25 Aug 89 p 12

[Letter to the editor by Maciej Rzymkowski: "The Village Nomenklatura"]

[Text] I am a typical, average farmer. My existence, nearer to vegetation than life, is limited solely to over ten hours [a day] of heavy physical labor, and a necessary minimum of physiological activities. I do not go to the movies or theater, nor do I read books and magazines, for such prosaic reasons as a lack of time and money. The only books that I come into contact with are a prayer book and a SOP [Savings and Loan Cooperative] bank book. The furthest west I've been is in Poznan—it was long ago on a school trip.

As for the material side of my existence, I work solely to repay previously incurred debts and to cover the costs of current production; my wife supports me and our whole family by working as a teacher in the village school—thanks to this, we have someplace to live, if a 40-square-meter cubicle without a bathroom can be classified as a home.

The prospect of heavy labor without rest and contact with culture for the next several years, in order to be able to exist longer as a farmer, causes me, more and more often, especially lately, to have the feeling of fulfilling an historic mission. Like the Snail from the "Outpost" by Prus, I am already working not to improve the material existence of my family, but only to keep the heritage in

my hands. I only don't know how long my city-bred wife will tolerate this romantic vision of life that I have.

All that I have written is not a complaint about my lot, which, indeed, I did not choose, but accepted along with all its consequences. I only want to present the situation of an average, particularly young, farmer, and the position from which I observe the reality around me.

I have the opinion of an unusually calm and apolitical man. However, what I hear lately about the village and agriculture in the mass news media strikes me, to put it mildly, as dumb, and I simply get upset. Because, depending on the time, place, and person who expresses his opinion, the village is a place where pariahs live, fighting for survival, or Croesuses preying on the provision troubles of the city dwellers. Both images of the village are equally false, and are detrimental to all farmers. After all, the village is much more economically and socially diverse than the city. Besides the hundreds of thousands of farms supporting themselves by working the land, there are a few, but significant, agricultural enterprises here resembling magnates' wealth, whose owners spend their vacations in foreign resorts.

These facts are obvious to every village dweller. Unfortunately, I fear that many city dwellers form their image of the village by observing the TV screen and newspaper column, and this is very dangerous. Because this inflames the already strained relations between the city and village, for reasons which we all know perfectly well. This black-white optics of rural reality also heats up anti-urban moods in the village. The only ones who can profit from this conflict are those who govern and divide—opponents of any reforms and changes, both city and village dwellers.

Lately, we have been talking at great length and critically about nomenklatura. That is very good, but it's a shame that this is only happening in the city. After all, the Stalinist concept of total control of all aspects of social, even private, life reached its apogee precisely in the village. The deepest and most extensive deformations of the Stalinist system are still rooted here. The farther the environment is from larger urban agglomerations, and the lower the general level of education of its population, then the stronger is this injustice. In many typically agricultural gminas, local cliques and gangs rule jointly—like a Sicilian mafia.

The nomenklatura system is the basis and lever of operation of cliques and other formal and informal groups. Like a spider's thread, it surrounds and penetrates each gmina's community—beginning with the gmina chief, supplied with a portfolio—through the state offices and institutions serving the farmers, the village schools and administrators, all the way down to such local organizations as the KGW [Village Housewives Circle] and the OSP [Volunteer Fire Brigade]. Gmina nomenklatura is based on the principle of dependence resulting from frailty. The ideal director here is a person with relatively little education (less than many of his

subordinates), an alcoholic with a criminal background. Such a person obeys his superiors with exceptional zeal, knowing that he owes his position purely to party affiliation and scheming, and not to knowledge and experience.

The specific product of nomenklatura is the existence of local despotic officials in the village. In exchange for control of the village's socioeconomic life and quelling of any signs of social discontent, they gather in their hands many functions and positions—deriving certain material benefits from this. The typical such official is usually a councillor or active member of the PZPR [Polish United Workers' Party] or ZSL [United Peasants' Party], head of the OSP, chief of the ORMO [Voluntary Reserve of the Civic Militia], etc.

For his loyalty and boundless zeal, the gmina authorities reward the despotic official with numerous privileges inaccessible to the rest of the farmers. These are, primarily, low-interest and long-term bank credits, which are in a situation of galloping inflation with usual grants. The very frequent issuing of scarce agricultural machines at their horrendous free-market prices reduces them to the role of commercial middlemen, who achieve very high incomes from this activity. Also, priority in the purchase of land from the PFZ [State Land Fund] at decidedly lower prices, and the possibility of contracting with the Government to supply plants that are exceptionally profitable in cultivation, such as seed or herb plants, are the source of huge profits resulting purely from the fact that they enjoy these and many other privileges.

These persons buy up the land of the less wealthy farmers—the same ones that work on their own farms. They subordinate others to themselves by offering combines, tractors, and accompanying machinery, becoming de facto joint managers of their land. Thus, a new social class, aspiring to the role played formerly in the Polish village by the landed gentry, is being created in the village environment. And so, real socialism in the village leads us directly to classical feudalism!

In exchange for the privileges and benefits mentioned above, the despotic official must organize the support of all his village's inhabitants for any decisions of the gmina and central authorities. Thus, he cannot be a concrete dogmatist, but is a flexible man, intelligent in his own way, and, at the same time, a so-called regular guy—prone to brawls and drinking-bouts. Such a person, if the request arises, leads the parish priest, arm-in-arm, during the Corpus Christi procession—although officially an atheist, he sets up the Rural Solidarity Circle—only to discredit and crush it at the opportune time. He also initiates social action, but only one whose results he himself will later reap measurable benefits from. Summing up: in the village, the gmina authority backs sly fellows without any kind of moral scruples.

After some time, most of the neighbors of such a "social worker" wise up to his real intentions. As a rule, however, there is still no possibility of depriving him of most of the functions and privileges conferred by the gmina authorities. This divides the village community (part of the farmers, dependent on this despotic official in various ways, must support him) and demoralizes the farmers. People know that it is not diligence, thrift, and integrity, but party affiliation, scheming, and connections that are the best way to make a lot of money, and in the same way, attain high prestige in the local community.

As long as this situation continues in the village, the shelves in the city will be empty of food, and young people will abandon the farms that their fathers and grandfathers so staunchly defended before collectivization. For more and more farmers are ceasing to work honestly, but starting to seek their fortunes in commerce, speculation, and exploitation of other agricultural producers. Because of this, food will neither arrive nor become cheaper for consumers.

In order to change this, we must break up the gmina nomenklatura, and only an authentic local autonomy, chosen in fully democratic elections, can do this.

ROMANIA

Multiparty Systems, External Interference Condemned

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15 Aug 89 pp 1-4

[Editorial: "A Memorable Moment in the History of Romania"]

[Text] 45 years have now passed since the victory of the anti-Fascist and anti-imperialist revolution for social and national liberation in August 1944, a memorable event in the history of Romania. The anniversary of this outstanding event is being commemorated in an atmosphere of vibrant patriotic revolutionary commitment, of a mighty creative ferment determined by the highly responsible discussion by the entire party and people of the Draft Master Program and Theses for the 14th Congress. On the basis of thorough and rigorously scientific analysis of the history of the country, the major achievements of the years of socialist construction, especially after the 9th Congress, and the current stage of the work of building the new society, these program documents map out the directions of future development of Romania during the 5-year plan for 1991-1995 and beyond, to the years 2000-2010.

This broad national discussion, an expression of the profoundly democratic nature of current Romanian society, along with the remarkable successes achieved in socialist competition to fulfill the plan for 8 months throughout the economy by 23 August and the plan for the entire year before the 14th Congress, shows with

special clarity the full support given by all workers to the domestic and foreign policies of our party and state, their unshakable devotion to the fundamental principles and values of the socialist system, and the high patriotic revolutionary responsibility with which the entire people is taking action for the socialist and communist future of the country. On this occasion all communists and all workers are expressing their unanimous support for the resolution of the plenary meeting of the RCP [Romanian Communist Party] Central Committee of 27-28 June 1989 regarding the reelection by the 14th Congress, to the supreme position of secretary general of the party, of Comrade Nicolae Ceausescu, eminent communist leader and fiery patriot, illustrious revolutionary thinker, resolute fighter for attainment of the supreme goals of the working class, inspired molder of the new destiny of the country and of the brightest period in the history of the country, the glorious era following the 9th Congress, and an outstanding political personality in the modern world, who for nearly 6 decades has dedicated and continues to dedicate, with selflessness and heroism, his entire life and activity to the good and happiness of the Romanian nation, to the cause of independence and sovereignty, socialism and peace, and international understanding and collaboration. This resolution, a fundamental political choice of the entire party and the entire people, represents the most certain guarantee for continued evolution of the revolutionary process, for successful building of a comprehensively developed socialist society and unswerving advancement of Romania toward the highest peaks of progress and civilization.

The unity of will and action of our socialist nation, also clearly demonstrated in the discussion of the documents for the 14th Congress and the major accomplishments made by the Romanian people under the leadership of the party by means of socialism represent the supreme legitimization by history of the revolutionary act of 23 August 1944, the source of the deep patriotic pride with which workers throughout the country are honoring this great event, which opens up new horizons in our history extending back over millennia.

An analysis of the 4 and ½ decades which have passed since the historic events of August 1944 demonstrates the objective nature of the revolutionary process in Romania, and at the same time sheds light on the leading role of the party of the working class in the people's struggle for social and national liberation and for the triumph of socialism. "The victory of the revolution of social and national liberation, the transition to the building of a new, socialist, society in Romania," state the Theses for the 14th Congress, "constitutes an expression of the law-governed requirements of social development, a result of the objective historical process of succession of modes of production determined by the dialectics of social progress and by the necessity of harmony between the development of the forces of production and the nature of production relationships. It represents a culmination of the prolonged revolutionary

struggle conducted by the working class under the leadership of the Communist Party; it is the historic accomplishment of our entire people."

The Strength and Viability of the New Socialist System

The victory of the anti-Fascist and anti-imperialist revolution for social and national liberation is linked directly to the heroic activity of the Romanian Communist Party and its basic cadres, among whom the exemplary personality of Comrade Nicolae Ceausescu has been strongly asserted. In the especially complex circumstances of Nazi domination and the Hitlerite war, the RCP, although operating deep underground, brilliantly demonstrated its political and organizational ability to mobilize the enormous revolutionary energies of the popular masses and unite them to form a single stream and to lead the masses with revolutionary skill and consistency along the path of independence and democracy, socialism, and progress.

Because of the ideals in the name of which they were initiated and because of the effect they had on all subsequent social and political development, the memorable events of 45 years ago brought about a radical, truly historic change in the fate and development of Romania. As the secretary general of the party points out, the revolution of 23 August 1944 "eliminated imperialist domination forever and opened the way for true independence, creating conditions under which the people can fashion its future as it desires, with no outside interference."

Major revolutionary changes were necessary and were carried out over the period inaugurated by the revolution of 23 August 1944, ensuring attainment of the objectives of the popular democratic revolution. The Romanian Communist Party played a decisive role in carrying out these profound innovative changes, which laid the foundation for transition to the socialist revolution in 1948. The establishment in 1948 of the single party of the working class, the nationalization of the principal means of production and the creation of socialist ownership by the entire people, the transition to organization of agriculture on a socialist basis, and the planned development of the national economy contributed to the irreversible channeling of all material and human resources of the nation in accordance with the major requirements and objectives of socialist construction.

The successful accomplishment of these large-scale revolutionary changes ensure the complete victory of socialism in industry, agriculture, and all areas of social life. All this convincingly demonstrates that the choice made by our people on 23 August 1944, its firm resolve confidently to follow the policy of the Communist Party, and the party's honorable fulfillment of its historic mission of directing the entire revolutionary process have ensured the creation of a new, free, and prosperous life, in accordance with the aspirations of all workers for progress and well-being.

The 9th Party Congress was a radical turning point, a truly decisive historic moment in the general development of our socialist society. By the unanimous will of communists and all workers, it chose the path of progress and well-being, with the best loved son of our people, Comrade Nicolae Ceausescu, the visionary leader of the entire nation, at the head of the party.

As is pointed out in the Draft Master Program and the Theses for the 14th Congress, the everlasting merit of the 9th Congress and the secretary general of the party, Comrade Nicolae Ceausescu, consists of its resolute break with outmoded theories and practices, with the erroneous concept of a "single model" in the building of socialism, with kowtowing to foreign ideas and forms of organization of society conflicting with the objective situation in the country, and of eliminating the dogmatic, conservative thinking in all spheres which was hampering unleashing of the revolutionary strength of the party and the creative capacity of the people. The truly historic importance of the 9th Congress is also due to the strong assertion of the inalienable right of our party to work out its political line, strategy, and revolutionary tactics independently, by consistently and creatively applying the principles of scientific socialism to the specific conditions of Romania, and by bringing about political organizational strengthening of the party and increase in the leading role of the party in society.

In the spirit of the guidelines laid down by the 9th Congress, developed by subsequent congresses and national conferences of the party, and of the theses of inestimable theoretical and practical value advanced by Comrade Nicolae Ceausescu, the entire revolutionary policy of building socialism has concentrated at all times on the creation of strong technical and material resources as a factor of cardinal importance in the all-round advancement of society; the ongoing improvement in production and social relationships in accordance with the development of production forces and their harmonious distribution over all areas of the country; the development of socialist democracy through consistent application of the principle of molding socialism with the people and for the people; and the active participation by Romania in the international division of labor and in exchange of material and cultural assets with all countries of the world, irrespective of social system, and in solving the major problems of the modern world.

Steadfastly following the guidelines established by the 9th Congress and the political forums which followed it, and acting in close unity, under the leadership of the party, our people has achieved remarkable successes in economic and social development in all spheres of activity. During the years of socialism, and especially after the 9th Congress, the Romanian people have passed through several historical stages, to reach a level of economic, social, and cultural development such as was not attained over the entire period of capitalist development. Romania was transformed over a relatively short

period from a poorly developed country into an industrial and agrarian country in the midst of development, on the basis of the latest accomplishments of science and technology and human knowledge in general, with an ever higher level of well-being for the entire people.

All economic and social development has been carried out under conditions of increasingly forceful application of science, education, and culture as decisive factors in the balanced progress of the country, with a remarkable and highly competent contribution made by Comrade Academician Doctor Engineer Elena Ceausescu, eminent renowned world political figure and scholar and a leading militant in our party and state.

The great achievements of the country in all areas demonstrate the correctness of the policy of our party and state of allocating a substantial portion, approximately one-third, of the national income for the accumulation fund and the efficient use of accumulated socialist capital. This has ensured the implementation of programs for development of production forces, industry, agriculture, science, education, and culture. A telling fact in this context is that around 90 percent of the fixed capital available to our society today has been created over the last 24 years. Continued maintenance of a high rate of capital accumulation is an objective necessity determined by the need both for ensuring a steady pace of economic growth and forming strong technical and material resources for Romanian socialist society and efficient use of material and human resources and by the need for ensuring improvement in the quality of life of the people.

The economic and social development of Romania had by March 1989 created conditions for total elimination of foreign debt. This great victory of the Romanian people, which represents an eloquent expression of the potential of our socialist economy, has ensured true economic and political independence for the country.

Significant new progress has been made during the current 5-year plan (1986-1990) in all areas of economic and social activity. Accomplishments thus far and the projections for the last year of the plan period ensure implementation in broad outline of the resolutions of the 13th party congress relating to achievement of the strategic objective of bringing Romania to the stage of a moderately developed socialist country.

The remarkable accomplishments of the years of socialist construction provide the conditions for transition by Romania to creation of a higher stage of socialist society. In accordance with the projections made in the Draft Master Program for the 14th Congress, our party will take action during the next 5-year plan and beyond to the year 2000 and the first decade of the third millennium for the further harmonious development of production forces, improvement in production relationships and all relationships in society, the strengthening of revolutionary worker democracy, participation by all citizens in the management of society, and the full

expression of human personality. During the 9th 5-year plan attention will be concentrated on the intensive development of the national economy, the implementation of programs to upgrade production, and the achievement of a new quality of labor in all fields. These are essential requirements for transition to the second stage of building a well-rounded socialist society.

The long balance sheet of resources with which the workers approach the great national holiday of 23 August is the most persuasive evidence of the correctness of our party's policy, the realistic nature of its basic objectives, and the gigantic power of socialism to transform. All these things forcefully demonstrate the superiority of socialism, the fact that only when the people become true master of its own destiny is it possible to ensure elimination of backwardness within a relatively short time, and to safeguard the welfare, independence, and sovereignty of the country. As Comrade Nicolae Ceausescu pointed out in his speech at the June 1989 plenary session of the RCP Central Committee, "we must firmly reject the attempts by reactionary imperialist circles to destabilize and denigrate socialism, obviously for the purpose of halting, or at least slowing down, in one way or another, the movement or march by peoples toward elimination of oppression and inequality, toward a juster and better world."

Life, the practical work of society, and the successes recorded in the general development of the new system demonstrate the truth that socialism has proved to be its strength and vigor, that it represents mankind's future of liberty, well-being, equality, and peace.

Steadfast, Creative Application of the Principles of Scientific Socialism

All experience in building socialism in Romania shows that economic and social development, as does for that matter improvement in the activity of organizing and managing all areas, must be based firmly on creative application of the general principles of scientific socialism, in keeping with the specific historical conditions of each country.

In this context experience has demonstrated the fundamental, decisive role of socialist ownership of the means of production, the fact that establishment, defense, and development of socialist ownership represents one of the essential requirements for creation of the new social system. As the documents for the 14th Congress point out, socialist ownership represents the lasting foundation of economic and social advancement of the country, equality, and social justice, an essential requirement for revolutionary development of society, the means of avoiding the occurrence of any forms of exploitation of man by man, and a guarantee of stronger national sovereignty and independence. Improvement and modernization of socialism are inconceivable without constant strengthening of socialist ownership by the entire people and cooperatives and development of the two

forms of ownership. It is also necessary to reject decisively the arguments for a reduction in the role and importance of socialist ownership, the "privatization" of the means of production. As Comrade Nicolae Ceausescu pointed out in his speech at the 27-28 June 1989 plenary meeting of the RCP Central Committee, "any reduction of the role of major socialist ownership of industry and agriculture and return to certain forms of capitalist property, even small-scale ownership, represent movement backward by dozens of years. It jeopardizes not just the development of socialism but the economic and social development itself of peoples and their well-being and independence."

The continued development and strengthening of socialist ownership—ownership by the entire people and by cooperatives—are of cardinal importance in ensuring the unified, planned management of economic and social life for the sake of improving revolutionary worker democracy. The entire economic and social life of our country is organized on the basis of worker self-management and self-administration. In the spirit of the principle of creating socialism with the people and for the people, the Romanian Communist Party, under the direct guidance and with a decisive contribution by the secretary general of the party, has taken and continues to take action constantly for the creation, development, and improvement of democratic forms of management, aimed at ensuring participation by all social classes and categories, by the entire people, in the management of society. The profoundly democratic bodies present in Romania—the workers' councils, general meetings, high forums of the owners, producers, and beneficiaries of management of all economic and social activities, the county agencies, the congresses of workers, agriculture, science, education, and culture, and the national leadership councils between congresses—make up the framework within which all citizens of the country participate in an organized manner in the management of society, in elaboration and implementation of the domestic and foreign policies of Romania.

Experience attests to the correctness of this original system of ours of revolutionary worker democracy. At the same time, experience demonstrates that the country can develop only under the conditions of unified management of the national economy. Unified management of economic and social activities, based on the uniform national plan, ensures coordination of the interests of each group with the general interests of society. As the Theses for the 14th Congress point out, "rejection of the management of economic and social development on the basis of the uniform plan can lead only to disorganization of activity and to the occurrence of contradictions having grave repercussions on socialist society."

In the period which has lapsed since the 9th Congress, the political system has been improved, democratization of central and local government agencies has been ensured, the electoral law has been amended to have several candidates running for election as a deputy, and new democratic bodies have been created.

In defining the content and nature of state power, our party many years ago rejected the concept of dictatorship of the proletariat, in the belief that it does not correspond to the real content of the socialist state and does not express its democratic essence. The party has replaced it with the concept of revolutionary worker democracy. As a result of the general development of our socialist society and of strengthening of the alliance and unity between classes and social categories, the revolutionary essence of our state has changed. The state has become a new, democratic organism, the supreme representative of owners and producers, the organizer of the life in common of the entire people.

As the Theses for the 14th Congress state, the socialist state will retain its role in socialist society for a long time to come. It will assume higher forms of organization, acquiring new functions, features, and powers. The ideas and opinions regarding reduction of the role of the state in unified, planned management of economic and social life do nothing but subject society to the destructive action of unpredictable factors and lead to the occurrence of serious disturbances in economic and social development, with dire consequences for socialist construction. In view of the fact that in any stage of human existence society must have organisms for unified management of public life, it is even more difficult to assume that social relationships will be able to proceed anarchically under communism, when both production forces and the forms of democratic activity of the masses will be developed to the maximum. "In the context of intensified collaboration between agencies of the state and the organisms of revolutionary worker democracy," state the Theses for the 14th Congress, "a process of transformation of the state into an entirely new democratic organism will take place."

The democratic forms, principles, and methods of activity underlying our revolutionary worker democracy are well suited to Romanian socialist society, offering a good prospect for development of this society to higher stages. Hence our party does not, of course, act to bring about structural modification of this system; it rather seeks to improve its operating mechanism so that it will perform its functions and role more efficiently.

The great accomplishments over the 45 years which have passed since the anti-Fascist and anti-imperialist revolution for social and national liberation and all experience in the struggle to overthrow the old system, seize power, and build the new system in Romania have shown and continue to show that the existence and assertion of the leading role of the political party of the working class, armed with a clearcut concept based on the theory of scientific socialism and a program which is scientific and which expresses the interests, aspirations, and will of the people, represent a categorical necessity for conduct of the revolutionary process, an objective law-governed feature of the building of socialism and communism.

The assertion of the leading role of the Romanian Communist Party in Romanian society, the recognition

of this role by the entire people, and its consecration in the Constitution itself of the country are the result of an objective historical process. Our party has given proof in all circumstances of its revolutionary qualities, its organizational, transforming power, and its ability to unite, energize, and lead the broad popular masses, and its policy has been fully confirmed by practical life. The Romanian Communist Party today has more than 3.8 million members, 55 percent of whom are workers; this fact emphasizes its character as party of the working class.

The Party: Nerve Center of the Nation

The Draft Master Program and the Theses for the 14th Congress naturally point out that the most efficient solution of the complex problems of building the new system and improving it depends to a decisive extent on improvement in all the activities themselves of our party. This process acquired a programmatic character as organized especially after the 9th Congress, when a number of measures were adopted to improve the activities of party organs and organizations and to develop internal party democracy, as an essential requirement for performing the leading role of the party in all spheres of activity. Proceeding from the specific objective situation in Romania, our party, rethinking and reworking a number of theses, concepts, and interpretations and solving the problems created by practical life and the ongoing development of the new system in an original scientific manner, has tapped the enormous potential of socialism for progress, along with its immense resources for self-improvement. This demonstrates, with the indisputable force of facts, that, as the secretary general of the party points out, "there are not and can be no improvement and development of socialism without a single party of the working class, with a revolutionary concept of the world and life, a party which will act firmly to unite the entire people to defend the accomplishments of socialism and to strengthen independence and sovereignty, for the sake of peace and cooperation between all nations of the world."

The objective situation in Romania and in the world in which we live shows that the existence in the socialist countries, in countries making the transition to independent economic and social development of single, powerful parties with a revolutionary or progressive concept ensuring unified action by each people in reaching the objectives of socialist construction and of independent economic and social development is a law-governed process. So much more incomprehensible and inconceivable then are the tendencies in some countries to weaken the leading role of the party and return to the so-called multiparty system characteristic of the division of society into antagonistic classes and thus representing a stage which to the socialist countries is backward and outmoded.

As is pointed out in the Theses for the 14th Congress, the theory and practice of so-called reduction of the leading role of the party can deprive society of its most keenly

aware political force, which, being armed with a scientific concept of the world and life, is capable of uniting and organizing all the forces of the nation. Such theory and practice can thus create a political vacuum that might be filled with other, antirevolutionary political forces, placing the cause of socialism and the vital interests of the people in grave danger. The concept that the party should renounce its revolutionary character, give up part of its powers and responsibilities, or allow itself to be replaced by other political forces has nothing to do with revolutionary theory and the principles of scientific socialism. This approach basically represents capitulationist, liquidationist positions which in effect join the attacks by reactionary circles in capitalist countries conducted under the watchword of creation of several parties to eliminate the communist parties. Proceeding from the truth confirmed by practical experience that no other force can exist which fills the vital role of the Communist Party, our party resolutely rejects these erroneous and profoundly harmful positions. Precisely for this reason is there need for continued strengthening of the leading role of the party in all areas, improvement in its activity, elevation of the political and ideological level, increase in the aggressiveness and revolutionary spirit of the party and all its members, improvement in internal party democracy, and further strengthening of the links between the party and the broad popular masses.

Attainment of major objectives in the future requires continued increase in the leading role of the party. As the nerve center of the nation, the party acts not from outside but within society, performing its leading role through its organizations, through the activity of Communists. Successful completion of its historic mission requires that the party assume direct responsibility for implementation of all plans and programs for economic and social development. To be able to act as the leading political force and the nerve center of the entire nation, Comrade Nicolae Ceausescu stresses, it must permanently remain a revolutionary worker party, always take the concept of scientific socialism as its guide, and ensure the building of socialism with the people and for the people, raising of the level of social awareness of the popular masses and strengthening of the unity of the entire people.

An increase in the leading role of the party and further improvement in all its activities necessitate intensification of the political-ideological and educational work of molding the new man, developing the degree of culture, and raising the level of socialist awareness. This is especially necessary in that, as is stated in the documents for the 14th Congress, while a number of positive results have been obtained, there are certain lags relative to the development of production forces and the development of society in general. As the secretary general of the party stressed in his speech at the June 1989 plenary meeting of the RCP Central Committee, there is thus need for intense, sustained, and united effort on the part of all agencies responsible for education, under the

leadership of party organs and organizations, to bring about a true revolution in the thinking and action of people, along with intensification of the political-ideological struggle and greater aggressiveness toward retrograde antisocialist theories, against the new ideological offensive by reactionary imperialist circles, against mysticism and obscurantism, chauvinism, and all forms of division and quarreling between peoples. At the same time, ideological activity has the duty of combating underestimation or denial of the importance of the revolutionary theory in building socialism, of minimizing the role of socialist awareness in conduct of the revolutionary process—the so-called de-ideologization of relationships between socialism and capitalism at the world level (something which ultimately means capitulation of socialism to capitalism)—and of rejection of the class struggle to eliminate exploitation and oppression and to achieve a society of justice and social equality. “All propaganda and political educational activities,” state the Theses for the 14th Congress, “must make a greater contribution to mobilization of the workers in the vast work of implementing the domestic and foreign policy of our party and state, thereby becoming a strong material force for the transformation of society and for ensuring the victory of socialism and communism in our country.”

Romania's Realistic and Dynamic Foreign Policy

A turning point in the history of the country and in the destiny of the Romanian people, the glorious act of 23 August 1944, at the same time marked the beginning of a radical change in the foreign policy of Romania. Like domestic social and economic development, the international activities of Romania experienced the greatest number of accomplishments in our entire history during the period following the 9th Congress of the party, when, under the wise leadership of the party and its secretary general, Comrade Nicolae Ceausescu, a personage of the first rank in the contemporary world, the Great Hero of Peace, socialist Romania made and continues to make itself felt as one of the most active countries in the world arena, extensively developing relations with all the countries of the world and making a full contribution to solution of the cardinal problems of the modern world. The clarity of political vision of the president of socialist Romania, his creative spirit, and his ability to study objective situations and determine the meaning of events and processes on the world scene have played and continue to play a decisive role in promotion by Romania of a dynamic foreign policy, one of cooperation with all countries of the world, irrespective of social system, and of active participation by taking original and constructive steps to solve the complex problems of mankind. The foreign policy and all international activities of our party and state are based on the principles of national independence and sovereignty, noninterference in internal affairs, rejection of the threat of force and the use of force, and understanding and cooperation with all countries of the world.

In this spirit Romania fights actively for a new mindset and a new way of acting to solve international problems and settle relations among countries. This has been given concrete expression in a large number of initiatives and actions at the international level to bring about disarmament, primarily nuclear disarmament, a fundamental problem of our time, to find a political solution to any disputes between countries by way of negotiations and to all world problems, and to create a climate of security and cooperation in Europe and throughout the world. Experience has at the same time confirmed the correctness of Romania's positions and initiatives as regards the solution of the foreign debt problems of the developing countries; the elimination of underdevelopment and the building a new international economic and financial system; the democratization of international relations; and the application of new international principles and relations. Consequently, Romania has resolutely rejected, and continues to reject, any outside interference, pressures, and setting of conditions of any kind, that is, intervention in the internal affairs of other countries. This requirement has assumed much greater importance in that reactionary imperialist circles have recently intensified their attempts at subversion, their policy of destabilizing countries, including socialist ones, and of denigrating the accomplishments of the latter in building the new system. On this basis Romania has demanded, and continues to demand, with the greatest firmness, that such practices resulting from the old mindset and the attempts by some Western circles and politicians to arrogate to themselves the right to determine what is or is not good for a particular country be abandoned, especially since the countries themselves are faced with many problems such as unemployment, housing shortages, increasing poverty, and the persistence of inequities and discrimination of all kinds.

The years of revolution and socialist construction, especially the period following the 9th Congress of the party, have given proof, with specific facts and events, of the consistent internationalist attitude of the Romanian Communist Party, which has militated and continues to militate steadfastly for strengthening the unity and solidarity of communist and worker parties on new principles, ones of full equality and respect for the independence and autonomy of each party. Comrade Nicolae Ceausescu points out that “the serious and complex world situation and the changes that have taken place in the world alignment of forces make it an objective necessity to strengthen international cooperation and solidarity even further. No communist party and no revolutionary, progressive party may become isolated. It is more necessary than ever to strengthen the cooperation and solidarity of the communist parties, on the basis of the principles of scientific socialism, the revolutionary concept of the world and life, and dialectical and historical materialism.”

As the theses for the 14th Congress point out, the problems in various countries, including the socialist countries, are the internal problems of each party, and

our party is against any interference in internal affairs. At the same time, however, the Romanian Communist Party advocates broad joint discussion of current problems, in order to determine the best course of action for each party to contribute to the solution of complex political, economic, and social problems, the achievement of disarmament and defense of peace, and the victory of the new social system—socialism. In this spirit our party stresses the need for meetings and conferences of communist and worker parties to analyze and respond to the new problems posed by the development of society and to impart a spirit of struggle and militancy to solve the problems of the contemporary world.

In Comrade Nicolae Ceausescu's comprehensive view of international solidarity, our party takes action at the same time to develop and strengthen cooperation with socialist and social democratic parties. It militates for

development of broad cooperation with national liberation movements, with governmental parties in the developing countries, and with all parties which favor peace, understanding, and cooperation.

As they now approach the 45th anniversary of the anti-Fascist and anti-imperialist revolution for social and national liberation with a record of great accomplishments in all areas, Communists and our entire people, fully confident of the bright future of the country, express their firm resolve to continue to intensify their creative efforts, in fully unity and under the leadership of the Romanian Communist Party and its secretary general, Comrade Nicolae Ceausescu, so that they will be able to report to the 14th Congress the exemplary attainment of plan targets this year and thereby contribute to elevation of our country to new heights in its socialist and communist evolution.

CZECHOSLOVAKIA

Joint Enterprises With Foreign Participation
Analyzed

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[Article by Eng Drahomira Schwarzova, ScC, Institute of
Economics, Prague: "The Status of Enterprises With
Foreign Financial Participation in the CSSR Economy"]

[Text]

1. Introduction

The first joint enterprises with foreign financial participation organized as joint ventures¹ in socialist economy appeared already toward the end of 1960's (for example, in Yugoslavia, Hungary, later in Romania and China). This form of joint venture using the capital from advanced capitalist countries, however, at that period in the development of European socialist states failed to develop more broadly. More distinctive changes in the development of this phenomenon may be noted only in the early 1980's.

The effort to use this form of joint ventures must be connected with the growing needs of socialist economies in the areas of technology and organizational modernization of production bases, while the resources were continuously declining and the access to hard currency credits was restricted. In particular, enterprises in Hungary and Poland and operating already at that time on the basis of self-financing, found in the form of joint ventures the shortest way to transfer technologies, to higher productivity and expanded total volumes of export.

Gradually the conviction was enforced in theory and practice that the influx of foreign capital from advanced capitalist countries cannot jeopardize the economic substance of production relations and, on the contrary, if the capital is appropriately utilized, it may bring specific benefits to socialist countries in their fulfillment of strategies aimed at the transition of their economies to an intensive economic growth.

In the beginning, the small interest of foreign companies in ventures in socialist economies demanded considerable liberalization of regulations concerning joint ventures which in the past two years appeared in the enactment of legal amendments which changed the foundation and operations of enterprises with foreign financial partnership. This concerns above all reduced income taxes of joint enterprises, taxes on dividends or tax on transfer of dividends abroad, abolition of conditions where the majority of capital shares of domestic enterprises prevailed, expanded tax relief during the test-run of the production, final solution of issues concerning liquidation of joint enterprise, simplified approval procedures, etc.

It appears that when creating highly favorable conditions for investments of foreign companies, the influx of their capital to socialist economies is not guaranteed in advanced. As an example thereof may be quoted the BPR which was making all possible concessions to its economic subjects to open direct economic contacts with partners from capitalist states and which enforces foundations of the joint venture type of enterprises, and which created favorable economic environment in support of influx of foreign capital, as compared with other socialist countries (Table No 1). At the same time, in 1981-1987 only ten joint enterprises with companies from capitalist states were founded in the Bulgarian People's Republic in 1981-1987.

Table 1: Rates of Income Taxes and Duties on Dividends of Joint Enterprises With Companies From Capitalist States in Individual Socialist States

Country	Rate of Income	Relief on the Rate of Income Tax	Rate of Duties on Dividends
Romanian People's Republic	30%	First year tax-exempt; next two years 15-30 %	10 % when transferred abroad
Hungarian People's Republic	40%	1. Varies according to circumstances	—
		2. For production and services (hotel): first 5 years 20 %, thereafter 30 %	
		3. essential operations: first year tax exempt, thereafter 20 %	
Bulgarian People's Republic	20%	Depending on circumstances: first 3 years tax relief	10 % when transferred abroad
Polish People's Republic	50%*	1. First 2 years tax exempt	—
		2. For exports, for each 1 % of exported goods +0.4. % tax relief	
CSSR	50%	Varies according to circumstances.	25 %
USSR	30%	1. Varies according to circumstances	20 % if transferred abroad
		2. First 2 years tax exempt.	

* Situation until end of 1988

Capital investments by foreign companies only very rarely exceed the ceiling of U.S. \$ 1 million, and the quota of foreign capital invested in socialist economies has not surpassed 2 percent of their total investment costs. From this view the previous effect of foreign capital in the investment development of socialist countries may be rated as minor, with the character of a marginal factor. Foreign companies approach the establishment of joint ventures with socialist economic subjects as one of the forms of exports or expansion of their market also beyond the boundaries of developed capitalist states and developing countries, and therefore, so long as this market is not saturated, they are not forced to support in any more pronounced manner the development of technologies and the application of the latest technology in the joint ventures that are being organized. On the contrary, they try to limit their investments in socialist countries to minimum demands for financial resources and thus, to reduce the risk of potential failure of ventures as much as possible. For that reason, today joint enterprises are not established to any major degree in the area of production, as would be compatible with the interests of the socialist countries, but rather in the area of trade and services where the risk in ventures in relation to the invested capital is lower. Foreign capital participation thus has not fulfilled the original efforts of socialist countries by supporting the development of joint enterprises to promote advanced technologies, on whose basis it would be possible to manufacture products of world standard, with which the socialist countries could efficiently find a place in demanding world markets.

In this context it may be useful to deal in greater depth with the analysis of the motivation (or barriers) of foreign companies which lead to joint ventures in the CEMA countries as well as in particular with the ideas of socialist enterprises about the advantages stemming from joint ventures with companies from advanced capitalist countries. It seems that at present both parties are motivated by contradictory interests which do not permit more extensive development of their cooperation. The capitalist company expects to penetrate markets of the "eastern region" without high investment costs, higher risks and potential further development of joint enterprises and meets with the barrier of "prohibited transfer of progressive technologies" from developed capitalist states.

The motivation of socialist enterprises are similar, i.e., also to prove themselves in the market, however, a market of the developed capitalist or developing countries, to hold their own in the competition there, and thus, to earn certain profits in hard currencies. However, because the products which are the result of joint ventures with capitalist companies usually are not up to absolute top world standards, the objective of the socialist enterprise cannot be achieved and often it leads also to the failure of joint ventures. Specific examples of market failures of joint enterprises with foreign financial partnership are well known.

2. The Place of Enterprises With Foreign Financial Partnership in Czechoslovak Economy

Since August 1985, "The Principles for Organization and Operation of Joint Enterprises of Czechoslovak Subjects and Subjects from Non-Socialist States"² have been applied in Czechoslovak economy, which delineated the framework of general, financial and economic principles for operations of the above-mentioned joint enterprises. These principles proceed from valid laws and standards³ which adjust the above-mentioned form of joint ventures. Nevertheless, in many aspects they fail to correspond with current situation and needs, particularly they failed to create the required amount of security for both the foreign and Czechoslovak partners in joint ventures. The development in this area demanded more radical changes in the legal arrangement of the above-mentioned relations which led to the adoption of the Law on Enterprise with Foreign Financial Partnership in force since 1 January 1989.

The experience thus far of the CSSR as well as of other socialist countries has indicated that the founding of joint enterprises with foreign financial partnership thus far was rather exceptional. In the period of another 5-year plan the majority of the trade with advanced capitalist countries was supposed to take place in usual norms, i.e., on the basis of purchase contracts, contracts on cooperation in production, contracts on leasing, licensing and know-how contracts, etc.

The analysis of current proposals by Czechoslovak manufacturing enterprises conducted by the Czechoslovak Chamber of Commerce and Industry in 1987-1988 has shown that the proposals may still be resolved more efficiently by cooperation in production, or as the case may be, by purchase of licenses.

Thus far 10 enterprises with foreign financial partnership of companies from capitalist states were founded on the CSSR territory (Table No 2). Only four enterprises are engaged in actual production, sales and marketing of industrial goods (AVEX, TESSEX, Ferremet Stahlhandel GmbH, LUVEX), one joint enterprise belongs to the ministry of Agriculture (MSZ), and the remaining 5 joint enterprises, i.e., 50 percent, belong in the area of services. All joint enterprises were founded in a two-year period, in 1987-1988, and they have majority share of capital in agreement with the regulations in force at that time. In terms of the representation of individual socialist countries, full 50 percent are held by Austrian companies; all companies are European, and thus far, no U.S. or Japanese company has appeared on the scene.

At present there are 10 more proposals for the establishment of joint enterprises with foreign financial partnership which are in the stage of negotiations and approval, and several scores of Czechoslovak organizations are considering foundations of such an enterprise.

Table 2: Joint Enterprises Established With Companies From Capitalist States and Domiciled on the Territory of the CSSR

Title of Joint Enterprise	Year of Founding	Foreign Partner (Country)	Czechoslovak Partner	Type of Operations
1. AVEX	1987	N.V Philips (Netherlands)	Tesla Consumer Electronics: Transakta Foreign Trade Enterprise	Manufacturing, marketing, export of video equipment
2. TESSEK	1987	AS Senetek (Denmark)	Tesla Laboratory Instruments	Development, production, marketing and export of chromatographic instruments
3. HOTEL-INVEST	1988	WARIMPEX (Austria)	Cedok Travel Agency	Hotel renovation and construction
4. Ferromet Stahlhandel GmbH	1988	Siegfried Schumacher	Ferromet Foreign Trade Enterprise	Production and marketing of metallurgical products
5. MSZ	1988	Not stated	Unified Agricultural Cooperative in Dolni Nemec	Cattle raising
6. LUWEX	1988	Luft-Beteiligungen (Austria)	Vzduchotechnicke Zavody [Aerotechnical Works] in Milevsko	Manufacture of aerotechnical instruments
7. Tourinvestment	1988	WARIMPEX (Austria)	Cedok	Construction and renovation of four hotels
8. Balnex	1988	WARIMPEX (Austria)	Balnea	Construction and renovation of resorts in the CSSR
9. Recoop Tour	1988	Grassi Hotelbeteiligungen- und errichtungsgesellschaft	TRADEX; REKREA Travel Agency	Construction of hotels in Prague, construction and management of other hotels
10. Not stated	1988	Casinos Austria (Austria)	Not stated	Casino in Karlovy Vary

3. Economic and Technical Documentation of Joint Enterprise

Organizations considering the foundation of a joint enterprise are frequently encountering considerable problems with proving to themselves as well as objectively to appropriate approving agencies that their submitted proposal is effective. This means proving that the planned joint enterprise has created stable (financial and material) preconditions for profitable operation, for repayment of invested capital, sale of goods and services for expected sales prices, and that it is capable of self-financing and of guaranteeing its self-sufficiency in hard currency. Therefore, the foundation of a joint enterprise must be preceded by excellent preparation of economic and technical documentation which includes financial, marketing, technical and organizational-operational analyses:

a) financial study containing in particular an analysis of sources of capital, the primary form of balance of creation and distribution of profits, an analysis of the flow of economic results, i.e., incomes (positive cash flow) and expenditures (negative cash flow), determination of principles of accounting and control of a joint enterprise, summary of customs and tax regulations, insurance conditions, matters of hard currency and finances, opportunities for reinvestment, etc.;

b) market research with an analysis of potential markets which the joint enterprise could enter with its products, i.e., the level of demand, opportunities for its further

growth in terms of short-time, medium-term and long-term marketing strategy, including price policies, service, and conditions of the so called "reverse gain of customer." One of the subjects of this research should be an analysis of the structure and intensity of national and international competition, and the determining trends of its development;

c) technical research which includes technical documentation on the required machine equipment: determination of resources (i.e., companies, research institutes, etc), which may supply such equipment, requirements of patents and know-how licenses, or opportunities for their substitution; allocation of the plant and its requirements for remodeling of buildings, modernization, conditions for its supply of water, electric power, requirements of environmental protection, sources of supplies of raw materials, supplies, components, including their required import; continuous flow of deliveries of inputs, including prices and terms of delivery; previous experience with main suppliers, or possible changes of suppliers; design and production of goods; technical standards applied in the partner's country, and other effects that affect the production;

d) organizational and working study analysis of the optimum organizational structure of the joint enterprise, statutory managing bodies, their authority and responsibilities, the structure of statutory bodies with regards to a balanced representation of each party, the method of election of members of such bodies; working language, or language which will be used in correspondence; the

anticipated work system; opportunities for hiring required work forces, including their professional structure and level of qualification, in case of need, a plan of provisions for hiring required skilled work forces, actual wage costs, etc.

The analysis of initial opportunities for establishment and further development of a joint enterprise must be made promptly, so that the enterprise may operate as successfully as possible. Only with an appropriate headstart all potential alternatives for cooperation (or possibly other forms) may be considered only with a sufficient headstart in relation to contributions which joint ventures may bring to each of the participants.

4. New Changes Which the Law Implies for the Enterprise With Foreign Financial Partnership

The law on enterprise with foreign financial partnership⁴ proceeds from the potential establishment of new joint enterprises in every sphere of national economy, except for areas vital for state defense and security. Originally joint enterprises could be established with capitalist participation only in the field of production, which however did not agree with the interests of both Czechoslovak organizations and especially of foreign investors. For that reason an amendment facilitating establishment of joint enterprise also in other areas, above all, in tourism, has been in force since 1 February 1987.

The subjects of an enterprise with foreign financial partnership⁵ may be on the Czechoslovak side only juridical persons established pursuant to Czechoslovak laws and having their headquarters on CSSR territory. On the other hand, a foreign partner in a joint enterprise may be either a capitalist company or an individual residing outside the CSSR.

The legal form of joint enterprise, its establishment and the possibility of its liquidation are subject to the still applicable laws which already earlier facilitated the foundation of such enterprises in Czechoslovak economy. These laws offer opportunities for the establishment of joint enterprises either in the form of joint stock company (pursuant to law No 243/1949 of the Collection of Laws), or its operations as an association (pursuant to law No 101/1963 of the Collection).

Most of joint enterprises operating in the CSSR are joint stock companies. The partners are given considerable contractual latitude for the arrangement of their mutual relations. However, such relations must be agreed upon in advance in the founding contract, or in other documents establishing the enterprise.

The licensing of establishing contracts was basically simplified. Before the adoption of the law, the licensing procedure used to be extremely complicated and Czechoslovak economic organizations could establish a joint enterprise only on the basis of license by their superior agency which however could issue such a permission only after thorough negotiations with 4 additional central agencies (SPK, FMF, FMZO and SBCS). According

to the new law, the approval for the closing a joint enterprise or changing of the contract is issued by only one agency, namely, the central agency of state administration with authority according to the proposed subject of operations of the joint enterprise (i.e., for manufacturing enterprises it is the branch ministry). Because the law makes it possible to establish also joint banks, in such cases that agency will be the Czechoslovak State Bank.

The shares of partners will be the subject of mutual agreement, or if need be, the central agency will express its opinion about them during the approval procedure. This means that the majority share of the capital of Czechoslovak partners is no longer necessary. The foreign partner may invest his share of the capital either as his financial share or by providing the equipment, technology, licenses, know-how etc., in other words, all types of material values. The partners themselves will assess the value of the inputs.

The licensing procedure is not the only area where substantive positive changes took place. The extent of requirements which the Czechoslovak partner lists in the petition for license has also been narrowed down. The petition for the license for the enterprise with foreign financial partnership must contain the following:

- the title of the Czechoslovak enterprise, its address and the type of its operation;
- the purpose and objective of the establishment of a joint enterprise;
- the proposed type of operation of the joint enterprise, its legal form, address and title;
- the amount of basic property, the amount of shares of participants in the basic property, the form and change of such shares, the method of profit allocations and payments for losses, the minimum amount of contingency funds;
- representation of partners in the administration of the enterprise;
- data on the foreign partner;
- technical-economic analysis of the proposed operations of the enterprise.

Already in this stage of preparations for a joint enterprise the partners must prepare a draft of the contract which is part of the petition for license. Also significant is the fact that the law already stipulates the term (up to 3 months) during which the competent central agency must conduct administrative proceedings (pursuant to law No 71/1967 of the Collection) and decide on the establishment of the joint enterprise.

Although the joint enterprise is accountable with its assets for any violation of its obligations and other duties and neither the state nor any other juridical bodies guarantee its obligations, this does not mean that the

agency which has licensed the operations of the joint enterprise is free of the duty to thoroughly study all preconditions of the enterprise about to be founded for the stated joint operations and to consider to what extent will the fulfillment of the tasks of the enterprise contribute toward the development of Czechoslovak economy.

Joint enterprise cannot be put under obligation stemming from the state plan. The influence of the state on the operations of a joint enterprise may be felt therefore only indirectly, i.e., by mediation of the Czechoslovak partner. The relations of a joint enterprise to other economic subjects will follow the economic code with the exception of stipulations whose contents do not correspond with the character of a joint enterprise and contradict its legal status. In particular, this concerns the duty to conclude, change, or abolish an economic contract or other mandatory relations.

The method of administration depends on the agreement concluded by the partners; however, it must respect the Czechoslovak legal norms in force, and it must be stipulated in advance in the agreement on the establishment of the enterprise. The purpose of the enterprise's operations is to earn income which is used in generally the same way as by other Czechoslovak enterprises. Joint enterprise has an obligation stemming directly from the law to create the following three funds:

- contingency fund to cover losses and risks connected with entrepreneurial ventures (in Czechoslovak currency and also in foreign currencies) in the annual amount of no less than 5 percent of profits (after payment of taxes) up to the amount stipulated in the establishment contract;
- cultural and social services fund for its employees according to generally valid regulations;
- special compensation fund, also according to generally valid regulations.

After the fulfillment of its basic obligations, i.e., payment of taxes and fees and subsidies to the above-mentioned three funds the joint enterprise may accumulate additional funds, such as for instance the development fund, etc. These fund cannot be taken away from the joint enterprise; the partners independently decide how to use them. The remaining profits will be used for distribution among the partners according to the shares stipulated in the agreement on establishment. If the enterprise fails to operate efficiently, the partners will cover the losses again according to their shares of assets.

The issues of taxes, charges and contributions are not directly stipulated by the law which merely stipulates that the joint enterprise is subject to the duty to pay taxes set by the law. The problems of taxation are not dealt with in the analyzed laws, because a new law on tax on enterprise income now in the drafting stage will apply also to the taxation of joint enterprises. For that reason

the regulations currently in force must be observed; accordingly, joint enterprises must pay income tax at the rate of 50 percent (i.e., it is lower than the tax of other Czechoslovak enterprises). In comparison with the conditions created in other socialist states for the development of joint ventures with capitalist companies, this tax encumbrance is very high and during the test run of the enterprise may hamper its operation. Czechoslovak legal regulations however facilitate the solution to this problem by tax abatements for which the joint enterprise must apply to appropriate financial agencies. The law on income tax now being drafted considers up to 40 percent reduction of the tax on income of joint enterprises. The rate of social security contributions of joint enterprises will amount to 50 percent of the volume of wages paid and thus, it will be the same as for other Czechoslovak organizations. The joint enterprise will also pay the state a sales tax which in its economic substance is not a tax in the true sense of that word. Its payor will be consumers buying goods at retail prices and therefore, this tax in itself will not affect the actual conduct of joint enterprises.

Furthermore, the joint enterprise will pay the state a fee for dividends, which amounts in the CSSR to 25 percent. This rate taxes the dividends even if they are not transferred abroad. This is a case of double taxation which acts to a considerable extent as an obstruction to the further development of direct cooperation with advanced capitalist companies. In efforts to limit the consequences of double taxation of incomes earned by joint enterprises, the general rate of 25 percent is not applied in relations with many countries, and lower rates may be used in the range of 5 to 15 percent of the value of the dividends.

In itself, the establishment (and the licensing of the operations) of a joint enterprise does not entitle the enterprise a license to conduct foreign trade. The above-mentioned license is arranged by the valid law on foreign economic relations No 42/1980 of the Collection and its amendment stipulated in law No 102/1988 of the Collection. Only after this license is issued, the joint enterprise may enter with its goods or services in foreign economic relations.

The enterprise may freely use hard currency funds earned by the enterprise in operations for which it received a license. Because the joint enterprise will not be subject of a hard currency plan, the obligation to offer the bank for sale its hard currency funds does not apply to it. Hard currency accounts may be deposited in either Czechoslovak or a foreign bank. Exchange rates are made on the basis of rates announced by the SBCS. As of 1 January 1989, in the framework of the new policies in the Czechoslovak banking system, the so called one-item course was introduced, which means that in the exchange rate listing both values of commercial as well as of noncommercial rate will be listed.

Drastic simplifications are introduced also for transfers of funds abroad. Before the adoption of the new law,

every joint enterprise had the obligation to negotiate all hard currency matters with the bank in conjunction with the so-called hard currency permit. Foreign companies considered this permit also an obstruction to the development of joint ventures. Foreign partners demanded that the generally mandatory regulations be revised. This change appears in the new law. Foreign partners may freely (i.e., without hard currency permits) transfer abroad the result of their share of the assets in case that the joint enterprise is liquidated (or if the share of partnership assets are liquidated or reduced), namely, in the currency of the payment of the actual value of their share in the original assets. If at the liquidation of the joint enterprise the hard currency funds themselves will exceed the compensation for the partner's share on the stock/original assets, these amounts may also be transferred abroad. In addition, the joint enterprise must remit abroad payments in hard currencies for foreign employees' old-age pensions. Additional transfers of hard currency funds are determined by efficient operations of the whole enterprise in administration of hard currency funds and by the necessary production of hard currency. From the legal regulation it follows that only in that case may the enterprise freely transfer abroad payments for social security as well as incomes of foreign employees.

On the basis of experiences thus far an important amendment was incorporated in the law which concerns protection of foreign partners against measures restricting ownership rights. The law stipulates that the assets of foreign partners in joint enterprises on the CSSR territory may be expropriated, or their ownership rights, only on the basis of the law. If such measures must be applied, the foreign owner must receive without delay compensation commensurate with the actual value of his assets, which will be freely transferable abroad in the currency of his share in basic capital. These legal measures also raise the required guarantees for foreign investors.

Because the Czechoslovak legal system in force to date did not include the bankruptcy right, the new law stipulates in detail the conditions and the procedures of liquidation of joint enterprises.

5. Conclusion

The problems of joint enterprises of socialist and capitalist partners is very complicated and continuously introduces new issues for resolution. The idea of cooperation between countries of two diverse socioeconomic systems by way of joint ventures, i.e., providing opportunities for Western capital to reenter economies of socialist countries, had to overcome negative attitudes and distrust on both sides.

The purpose of such enterprises is still differently understood in socialist and capitalist countries. While the socialist states expect that these enterprises will manufacture mainly goods for export, Western partners would like to focus joint enterprises mainly on domestic market

of the socialist country in question. While this basic conceptual issue remains unresolved, the establishment of joint enterprises cannot gain the necessary momentum. Moreover, Western companies will thoroughly think whether they should invest precisely in joint ventures in socialist countries, when they can export their capital to other capitalist or developing countries.

It appears that joint enterprises established with Western companies in the USSR will play an important role, because the Western entrepreneurial circles regard the USSR as a model of modern socialist economy. Nevertheless, it will take years before all mutual questions and problems are resolved, because the first joint enterprises were established precisely in the USSR only in 1987.

In socialist economies and their exports joint enterprises will not play any more important role in the foreseeable future; their function will be only complementary, which in terms of quality (i.e., the share in the produced national income) will be negligible and marginal.

For capitalist companies joint ventures with socialist enterprises are but an experiment with export of capital which is rich both in its forms, opportunities for its deployment in territorial consideration as well as in experience of Western investors with its export.

However, the fact that a new factor has entered the East-West economic relations—a factor of cooperation and effort to resolve jointly not only economic but also the so called global world problems—must be rated positively.

Joint ventures with companies from capitalist states entered also our Czechoslovak economic life, because the first joint enterprises have already been organized and other programs are now in the preparatory stage.

It is a matter of interest to all Czechoslovak partners in joint ventures to turn purposeful and efficient objectives of the planned programs into economic realities.

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- 1) Law on Enterprise with Foreign Financial Partnership, approved by the Federal Assembly of the CSSR on 9 November 1988.
- 2) East-West Joint Ventures - Recent and Expected Developments in Joint Ventures Domiciled in the European CMEA Member Countries. United Nations, Economic and Social Council, September 1988.

Footnotes

1. Joint ventures refers to an economic unit in whose operations are two or more partners from different countries on the basis of permanent agreement. The partnership is not limited to invested capital assets; it also applies to control of processes of production and includes the use of patents, trade marks, managerial know-how, etc. If the rights of the share-holders are

based on invested capital, joint ventures are characterized as "property" form of joint enterprise.

2. Decision of the CSSR government No 187/1985.
3. Particularly from Law No 243/1949 of the Collection on joint stock companies; of Law No 101/1963 of the Collection on legal relations in international trade; Law No 142/1970 of the Collection on hard currency economy.
4. Further on, "Law" approved by the Federal Assembly of the CSSR on 9 November 1988 and in force as of 1 January 1989.
5. Henceforth, "joint enterprise."

Relationships, Conditions for Economic Intensification Discussed

24000180a Prague HOSPODARSKI NOVINY in Czech
18 Aug 89 pp 1, 8-9

[Article by Academician Frantisek Valenta; Engineer Miroslav Hrnčíř, doctor of sciences; Eng Zdeněk Chalupský, candidate of sciences; Prof Eng Antonín Chyba, doctor of sciences; and Eng Kamil Janáček, candidate of sciences, Economic Institute of the Czechoslovak Academy of Sciences: "Opportunity Does Not Yet Mean Fact"]

[Text] All of the unfavorable trends and manifestations in economics—beginning with the lack of economy in production and consumption, through the low pace of and unsuitable direction of the orientation assumed by the innovative process, as well as the failure to utilize creative potential all the way through the decline in economic growth, the deterioration of the ecological situation, the persistence of industrializational structural development, the worsening imbalance, the weakening of our commitment to the international division of labor and the lasting withdrawal from world markets—loom as our shortcomings in the confrontation with the direction of development followed by the world economy under the influence of the progressing scientific-technical revolution. All of these manifestations, however, have a common origin. They are a natural manifestation of extensive-type economic development.

It would not be correct to perceive the starting point for a turnaround to merely lie in the search for individual remedial measures for each individual manifestation separately. Mutually isolated remedial measures were not successful previously and cannot be successful even now. Their efficacy is dependent upon whether they become organic components and specific manifestations of a single operation which is the turnaround toward the intensification type of economic development as a component of the restructuring of socialist society. The conditions for the success of this entire operation, as well as of the individual fragmentary measures within its framework, is their reliance on the essence of restructuring.

The Retarding Factor

The persisting extensive type of economic development has its origins in the period some 40 years ago when Czechoslovakia embarked upon establishing the foundations of socialism. Rapid industrialization, based primarily on the expansion of heavy industry, provided the opportunity for the application of our production in the industrialization process of other socialist countries. At the same time, it created new work opportunities for the manpower released from agriculture in the process of collectivization. In the social class sense, it created conditions for the rapid strengthening of popular ownership in its state form and, on the other hand, created additional stimuli to promote the cooperative nature of agriculture and a considerable portion of the small production sector in the economy.

In the economic sense, industrialization, collectivization, and the fundamental change in production relationships were accelerated by the negation not only of capitalist value relationships, but by value relationships in general which existed in the system of managing the national economy. During the first phase of the extensive development of the economy, the prevailing naturalization of relationships and the retreat from value relationships in the national economy were not an obstacle to the growth of parameters of efficiency. From various analyses, it is known, in the 1950's, the utilization of raw materials, energy, and manpower grew at a pace which has, thus far, not been exceeded. On the other hand, the parameters of efficiency as a measure of national economic development have been declining in the long run since the end of the 1950's. This is one of the signs of the historically temporary character of the extensive type of development pertaining to the socialist economy. When this extensive type of development had fulfilled its original mission of being the carrying wave of social class changes in the process of establishing the foundations of socialism by surviving and persisting after these changes were accomplished, it has become a retarding factor.

Value forms which were in effect at the beginning, when the socialist economy was being formed, lost their independent role and became mere expressions of natural magnitudes and relationships. This is the basis upon which the system of management, with its stimuli, indicators, and detailed breakdown of plan targets, asserted the growth of individual expenditures as an expression of output growth. The survival of the cost mechanism is the common reason for all shortcomings, for unfavorable trends and manifestations in the national economy. Previous attempts at economic reforms were directed at overcoming the individual external manifestations of the cost mechanism; under current conditions of the restructuring of the economic mechanism, this is a matter of overcoming substantial causes. These are not only economic in nature, but are based on the overall concept of socialist society and its future development. The restructuring of the economic mechanism is, thus, a part and an

organic component of restructuring of socialist society, a part of entering into a qualitatively new phase of its development.

The current restructuring is abandoning the previous concept of socialist development. Socialism is not seen as a transitory social form which would rapidly convert into classless communist society. Rather, it is based on the expectation that socialism is lasting and is developing over a relatively long historical period as a class society bereft of the exploiting classes. It anticipates an early transition toward distribution according to need. The results of work are not perceived to be the mere quantitative growth of natural indicators, but rather the growth of production and the utilization of constantly more perfected utility values, accompanied by a lowering of costs involved in their production and by a growth of newly created values. This is what forms the basis for the development of initiative creativity and innovative entrepreneurial activity of working collectives which is the only thing that can give rise to a qualitative change in production forces and to intensive development of the socialist economy.

In the process of restructuring, the socialist economy must create value relationships of a new socialist type and, on that basis, develop a so-called value mechanism as a starting point for the system of planning and management. (By value mechanism we understand such an arrangement of production relationships at their specific level of management relationships which would facilitate, stimulate, and compel progressive, pro-innovative conduct on the part of economic entities, manifesting itself in the minimizing of costs and the perfection of utility values.) This involves the creation of economic foundations for the embarkation of socialist society on a qualitatively new phase of its development in the process of restructuring.

New Quality

The development of a new type of value relationship and the application of the value mechanism is essential, particularly with regard to the renewal and gradual acceleration of the pace of socioeconomic development, which is based on qualitatively new resources which form the content of the new quality pertaining to economic growth. In this sense, we are dealing with the maximum utilization of scientific and technical progress, with a realized innovative process. However, a qualitative newness does not consist of merely accelerating this direction of technical progress, as has been the case hitherto, since even this direction was based on naturalized relationships and the cost mechanism. What is involved is rendering the innovative process more economical, influencing it through value relationships and the value mechanism. The innovative process must realistically become the source of higher valuations applied to input magnitudes and newly created values based on this source of growth.

In the new quality of economic growth, the key question is the influence of innovations upon raising the utility characteristics of products and services and upon the growth of newly created values (national income or gross national product). This influence is not immediate. It is brokered by the influence exerted by the innovation of products, services, technologies, and organizational forms upon changes in the complexity and the creative content of human labor.

The innovative process through which the scientific-technical revolution is being realized causes and anticipates permanent growth in the complexities of human labor and its creative content. This facilitates the renewal of the pace of growth as applied to the national income or the gross national product to such an extent that conditions for the shortening of working time for individuals are created. Moreover, the creativity of man with respect to dreams and inventiveness is not limited to working time. It is maintained and also inspired during free time by the method selected for utilizing free time. In this regard, free time becomes a factor in economic growth.

Structural Problem

The present structure, which is characterized by an excessive share of raw materials branches and branches of heavy industry and by an underdimensioned share of consumer industry branches and service sectors, is generally considered to be one of the decisive weaknesses and shortcomings of the economy. It has developed over the long range under the influence of the cost mechanism. It is a natural manifestation of this mechanism. The cost mechanism caused, renewed, and intensified the status of shortcomings and imbalance, particularly among sources and requirements of raw material, fuel, and energy inputs. Under this pressure, a considerable and growing portion of the investments was oriented toward branches involved in their production and was manifested as the gradual development of the economic structure to its present status.

The solution of the structural problem besetting the national economy cannot, therefore, be based only on the mere limiting of investments to basic industrial branches and toward dismantling a part of their capacities. The effect of these measures is determined by the fact that they shall become natural results of the new quality of economic growth and the orientation of all layers and magnitudes of the innovative process toward constantly higher utilization and valuation of natural resources in production and consumption. Thus, the solution has several layers, beginning with microstructural shifts in assortment in individual product groups and in production programs of enterprises and ranging through changes in proportion between groups of products and production sectors all the way through incursions into the proportions which exist between branches and sectors.

Degenerative Transformations

The existing economic mechanism, including centralized planning, was the practical realization of the notion that the socialist economy is one large workshop which can be managed on the basis of a central detailing of individual operations. It has retained this characteristic for the present, despite all existing efforts to perfect it. However, this runs contrary to the realistic content of economic development, based on a progressive innovative process. The potential innovative process has many layers; innovations of various magnitudes have varying action radii and varying frequencies.

Effective 1 January 1990, the national economy will generally embark upon conditions of the new economic mechanism. This will still not be a fully developed economic mechanism of the intensive type of economic development. However, it should have its fundamental characteristics. The basic problem lies in the mutual interlinking of three essential changes:

- the application of real independence and responsibility on the part of enterprises;
- the application of a new perception of the state plan which, through its function, would facilitate, stimulate, and utilize enterprise independence;
- the application of value relationships on the basis of socially necessary costs in the economic activities of enterprises and of the center.

Thus far, no socialist country has achieved this combination of fundamental characteristics of an intensive type of economic mechanism.

Each of the reforms accomplished in this country and in other socialist countries began with increasing independence on the part of enterprises. During the early experiments, this independence was perceived as a higher degree of participation of the enterprises in the creation of the state plan, anticipating the uncovering of their reserves and the acceptance of higher targets by the plan (the Czechoslovak reforms of 1958). Effective in the middle of the 1960's, the intentions and measures designed to achieve higher degrees of independence on the part of enterprises passed from the area of merely forming the plan to the area of current economic activity, to the development of horizontal economic relationships between enterprises and their consumers and suppliers, utilizing the market mechanism and assuming the overcoming of the cost mechanism.

Also, the Set of Measures, dated 1980, apart from calling for the economic independence of enterprises, essentially left the existing function and structure of the state plan intact without making substantial changes. It involved a variation of a seemingly new type of management which can be designated as a reformed model of central management applicable to the socialist economy. However, it could not be stable because of the very fact that it was based on the simultaneous functioning of two mutually contradictory principles.

The retained system of detailed breakdowns of volumetric indicators (despite the fact that they were identified as being "orientational") came into sharp conflict with the expedient volume, structure, and assortment of products as seen by the enterprises on the basis of their horizontal relationships with consumers and suppliers. Furthermore, the detailing of central plan targets continued to be based on proportions developed during past extensive-type development on the basis of the cost mechanism. Economic independence on the part of enterprises is expected to result in "more efficient" conduct—in other words, conduct taking into account the value mechanism under the pressure of market relationships with suppliers and consumers.

The instability of the reformed model of a centrally managed socialist economy can manifest itself in two ways. The system can either return to the original centralized model during its further development, during which phase it may retain the formal signs of enterprise independence. Or, development can be transformed into a status under which the central plan loses its real influence on economic development and the system crumbles, generally in conjunction with a political crisis.

Efforts to return to the original centralized form of management in our country occurred at the beginning of the 1960's and the 1970's. The Set of Measures of 1980 was characterized by this return from the beginning of its introduction (instruments which were to stimulate the independent economic activity of enterprises—primarily adjusted value added outputs—expanded the set of indicators used by the state plan and also became the objects of central detailing). A second type of manifestation of instability of the reformed centralized management model in this country occurred in 1968-1969. Both cases represent a degeneration of economic reform.

In the first case, a return to the original centralized management model simultaneously represents a return to the full effect of the cost mechanism and to the continuation of the extensive development of the economy which, however, had lost its historical justification and conditions in the meantime—conditions under which it could continue. Thus, as early as the first glance, this return is a retreat from the intensification goals of the reform.

The second type of case, in which enterprise independence gains full application and in which enterprises give full play to their horizontal relationships on the basis of the market mechanism and a period when the central plan and economic policy lose their influence over the development of the economy, only seemingly opens room for intensification based on innovative entrepreneurial activity. Unbalanced conditions in the economy, the constant preeminence of demand over supply, both in the market for the means of production and also in the consumer market, is solved by a general rise in prices. This rise becomes a permanent manifestation. The principal worry of enterprises is aimed at the growth of prices

for their current production, so that they can cover the growing costs resulting from the rise in prices of production inputs. The growth of wages is not stimulative connected with the growth of productivity, efficiency, and innovative activity, but acquires an expressly social dimension in view of the rising cost of living. The nominal rise in wages and prices repeatedly acts as a mutual stimulant, an inflation spiral ensues with the tendency of growing into so-called runaway inflation.

Experience leads us to the conclusion that it is necessary to make sure that the current economic reform does not make the transition either into the first or the second type of degenerative transformation. It is important for its progress to continue in a progressive direction toward a real reformation of the economic mechanism into an intensive type of economic development. The fact that Czechoslovakia is the first socialist country where such a specific goal of economic reform is being imposed must be taken into account; and, at the same time, Czechoslovakia is the first country where the attainment of this goal is realistic, in view of the objective and subjective conditions which exist.

It Is a Matter of Interpretation

The intention to continue with the economic reform in an effort to realistically shape the economic mechanism to facilitate intensive development is contained in the basic documents of the current restructuring, most expressly in the resolutions passed by the seventh session of the CPCZ CC on the restructuring of the economic mechanism. Apart from calling for the independence of enterprises, the basic theses of this resolution tend to overcome the weaknesses of reform attempts undertaken thus far, particularly by emphasizing the need to change the character of simple economic management, particularly in the form of the necessity to change the function and structure of the state plan so that it would not hamper, but rather stimulate and utilize the independent activity developed by enterprises.

Thus far, practical reform activities were undertaken from the position of the notion that the state plan, in the structure and function in which it was shaped at the beginning of extensive development, is uniquely conceivable for the socialist economy in general. Both of the degenerative reform developments were based on this notion: either the state plan is to be retained in the image in which it was developed, and, subsequently, enterprise independence is to be suppressed, or the state plan is to be bereft of any influence it can exert on the economy, in the interest of maintaining enterprise independence.

The resolution passed by the seventh session of the CPCZ CC stipulates an additional significant task, the fulfillment of which determines the economization of relationships and activities engaged in by enterprises and the economic center. This is the prosecution of socially

necessary costs, including the expediency and progressivity of useful values in conjunction with utilizing price transactions in foreign markets as a basis for the formation of prices.

Measures which have already been adopted and those which are still under preparation for restructuring effective 1 January 1990, particularly in the area of new legal standards, provide the opportunity for the initiation of a qualitatively new phase in the development of the economic mechanism by the beginning of next year. However, this opportunity need not necessarily be automatically changed into real fact. In actuality, the adopted and prepared measures also contain possibilities for both types of degenerative deviations and, under the present situation, the return to centralized management of the extensive type is more likely within the framework of the second possibility. This is attested to by the existing steps in realizing the adopted resolutions. The implementing documents (for example, the law on national economic planning, the proposed law on the tax system), as well as individual realization steps (for example, the restructuring of the organizational structure of the production base, the restructuring of central organs, the restructuring of wholesale prices), not only do not expand the initial conceptual intentions further, but are slipping back—under the “pressure” of initial conditions, but also under the pressure of vested interests—into images of partial corrections of existing arrangements.

If the conceptualizing of reform documents and measures is entrusted to the apparatuses of existing institutions, it is difficult to expect that they will prosecute new conceptual solutions which—irrespective of whether they are beneficial to development and society as a whole—signify the relocation of their power, the restriction of their particular interests or rather that they will strive not only for increasing their jurisdictions, but also their uniquely defined responsibilities. In this sense, the method of interpretation and practical realization pertaining to key questions of the reform and their mutual fine-tuning requires special attention on the part of political organs.

Possible Deformations

As far as the independence of enterprises is concerned (including self-administration and self-financing), it is necessary to prevent a situation in which the interpretations and the method of practical realization pertaining to the new principles could transform them into purely formal entities. Particularly in its early stages, the turnaround toward intensive economic development is directly dependent primarily upon the ability of the enterprise sphere to react, through its innovative activity, to hitherto unsatisfied and newly arising demands on the part of society. These desirable and necessary changes in the assortment of products and services as well as in technologies have such a high frequency that it is not possible for them to be “chased” by the approval process at higher management levels,

nor can their realization wait for allocations of central resources. The capability of enterprises to finance these innovative changes from their own resources is an essential condition for their efficient realization. This capability on the part of enterprises is already now constricted by the results of comprehensive restructuring pertaining to wholesale and purchase prices, as of 1 January 1989.

Further restrictions on the capability of enterprises to accomplish self-financing pertaining to innovations and their concomitant investments are threatening as long as the created profit in the enterprises (particularly in the processing branches) is to be burdened by extremely high taxation. In such a case, in contrast with the past, a real change would not come about because virtually all resources (with the exception of write-offs) would be centralized and would be again subjected to allocation. In addition, the real independence of enterprises and the self-financing of their innovative process can be constricted by a restrictive policy pertaining to investments, as long as that policy has a character of being a flat restriction.

A new interpretation is required with respect to the right to dispose of enterprise resources which, in state enterprises, remain the object of national ownership. This means that disposition rights of the center as well as of state enterprises with respect to social resources must be precisely defined. Further, it is necessary to adjust the disposition right of state enterprises with respect to their own resources, which they commit to social actions together with other enterprises or which they invest in the activities of other enterprises.

In conjunction with the discussion on the economic conditions pertaining to entrepreneurial activity at state enterprises, views are cropping up which indicate that, on the basis of state forms of national ownership, the establishment of such conditions is impossible. It should be noted in this regard that the predominating entrepreneurial passivity on the part of state enterprises is not directly caused by national ownership, but rather by the method used in relation to them, that is to say, particularly by the influence of the persisting and extensively oriented structure and function of the state plan.

In conjunction with the task of enterprise independence, there is occasional talk of the need to develop a spectrum according to size grouping. This is a natural demand of economic rationality. The establishment of large enterprises (and economic production units as well as industries) served in the existing centralistic model primarily the requirements of administrative task detailing from the center to the enterprises and purposes of summarizing results in the opposite direction. An effectively functioning market mechanism requires the existence of a scale of entities, differentiated from the standpoint of institutional forms as well as size groupings, which are mutually segregated and independent so that each truly carries responsibility for its decisions. According to market situations, new entities come into being on the

basis of free entrance into the sector; but there are also restructuring processes, dropouts from the sector, and possibly even demises of unsuccessful entities.

A substantial change in planning and management, including changes in the standing and function of the plan, is the cornerstone of restructuring of the economic mechanism. Without it, restructuring will unavoidably trend either toward the first or the second type of degeneration in the reform efforts. The fundamental problem in this area is the definitive departure from the notion that the center can manage the national economy like one big production shop. The structure of the state plan must reflect the fact that enterprises, but also intraenterprise units and possibly supraenterprise groupings, are undergoing relatively independent development based on changes (innovations) which no one other than the precisely appropriate economic subsystem is capable of mobilizing and efficiently realizing. The same is true, however, of the national economy as a whole.

The intensive type of economic development stems from the progressive innovative effort at all levels and of all magnitudes. It is precisely this process in the new structure of the state plan and of the economic plans at lower levels which must become the axis or the point of departure for program intentions. Specific tasks, such as the establishment of a certain volume of specific production, remain in the economic mechanism after 1 January 1990 as an express residue from the old structure of the state plan. It is a method for specifying a greater or smaller part of production which is, by and large, prescribed in the form of volumetric indicators of the plan (gross production, product manufacture, etc.). The planned magnitudes of the volumetric indicators in the old type of extensively oriented state plan where the point of departure for its creation, both in terms of absolute volumes as well as in mutual transactions (productivity, cost effectiveness, etc.). These were used to determine standards used to adjust particularly the development of wage funds.

In the new economic mechanism, it is anticipated that of the set of these instruments which influence the enterprises through the state plan, a key role will be played by standards of distribution pertaining to economic results (taxes paid to the state budget, allocations of disposable profits to enterprise funds, and regulation of wage funds). The new function of these standards which stimulate the progressive innovative process is dependent upon the method by which the state plan will apply the planned volumetric magnitudes. Without expressing them, the state plan cannot get by, particularly with regard to its task involved in securing the overall proportionality of economic development. On the other hand, it is clear that, under intensive development, the state plan cannot handle these factors in the same manner as it has thus far. For the present, it is anticipated—according to the law on national economic planning—that the volumetric magnitudes will not be directive indicators or even so-called orientational indicators, but rather have an “informative” character. However, a

mere change in appellation need not signify a substantive change in function. It is well-known that even in the past a change in name of a directive indicator to an orientational indicator virtually left their real functions intact.

It cannot be expected that the structure and function of the state plan will be changed in such a manner as to wholly reflect the needs of intensive development. However, it is necessary to see to it that informative indicators of the state plan not be misused to renew administratively directive management and, particularly, that other instruments of the state plan should stimulate more rapid and more efficient economic development at the enterprise level than can be estimated during the process of plan formation, or that can be expressed in its magnitudes.

The material incentives enjoyed by enterprise collectives, which will be decisive for the orientation of their activities, must be tied to attained economic results in a principled manner (not tied to plan indicators) and this must occur at a much higher degree of intensity than has been proposed in existing documents. An anti-inflationary wage policy is not contained in existing—little successful—forms of wage regulation, including tax regulations, but in the nonpayment of salaries for work not performed, or rather for work which is socially unusable (unrealized). The wage policy should not be primarily restrictive, but primarily stimulative and should be that way both during the formation of the enterprise wage fund and also during its distribution.

Another key change in the economic mechanism deals with prices. The connection between the cost mechanism and cost-type prices has been clearly proven. The immediate transition to balanced prices in the immediate future, however, would not result in the stimulation of intensive development on the basis of progressive innovation, but, rather, would open room for inflationary solutions of long accumulated unbalanced statuses. However, it is not possible to stay with cost-type prices, since this would continue the reproduction process pertaining to the extensive development of the economy. The essence of the price problem, however, does not lie only in the prices themselves, but in the economic environment or the interaction of prices with their environment. Consequently, any kind of express progress with respect to the objectivization of price transactions—a more rational application of contract prices and the freeing of price formations in general with the tendency toward balanced prices—depends on monetary solutions (price levels).

In the period up to 1 January 1990, it is therefore necessary to combine central management of prices with selective price formation by agreement between suppliers and consumers. In state price policy, it is necessary to substantially increase the weight of control exerted over price formation and to proceed particularly harshly against product pseudoinnovations, where the adjustment of a product is merely a pretext to raise its prices.

We must abandon the existing long-term practice of the one-time restructuring of wholesale prices for currently produced products. The development of prices for new products must be considered as the decisive factor in the development of price levels and this development must be liberated from the influence of production costs and the cost mechanism in general.

The problems accumulated in the area of retail prices cannot be effectively solved until a turnaround has been achieved in the development of wholesale prices. The economy continues to have real possibilities to come to terms with unbalanced situations, both in the market for the means of production as well as in the market for consumer goods by "internally absorbing" them without necessarily embarking on the path to inflationary development. However, this anticipates a real turnaround toward the intensive type of economic development, in which a goal-oriented direction toward a new type of economic mechanism is the fundamental prerequisite.

Planners Evaluate 1987-88 Economic Experiment

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[Article by JUDr Jaroslav Polak, Eng Miroslava Capova, and Eng Eva Opltova, of the State Planning Commission: "Some Are Finishing and Others Are Continuing"]

[Text] In June the CSSR government evaluated the effectiveness of the comprehensive experiment for the period 1987 to 1988 with the goal of judging the development and future trend of the new economic system and changes in the behavior, attitudes, and decision-making in the enterprises. The report was prepared by the joint central interdepartmental agencies while using mainly information from the analyses performed by the organizations involved in the experiment. Recently a number of partial experiences have been published (e.g. HN [HOSPODARSKE NOVINY] No 21, "Everything in the Old Manner," HN No 25, "Many New Things," and HN No 27, "The Results Are in Keeping With the Preparations"). Today we are offering a brief evaluation of the experiment getting right to the point and information on what measures the government has approved for further verification of the economic mechanism for 1990 and beyond.

The original intention of the comprehensive experiment was to select a small circle of export-oriented organizations, get them used to the demanding conditions of the world markets, and force them to orient themselves to effective production with markedly higher quality standards. The elements of the experiment were supposed to lead to the maximum satisfaction of social needs and to creating interest in exporting to nonsocialist countries. It was supposed to limit significantly the mandatory assigned indicators of the state plan and in the long term was supposed to create a stable relationship to the state budget.

These were the ideal intentions. Reality meant the expansion of the original intention, but at the price of a certain compromising. Specific mandatory tasks of the state plan were retained and the financial management was subordinated to the requirement to balance out the planned needs and resources in keeping with the tasks of the Eighth 5-Year Plan even at the cost of supplemental taxes and deductions. This all created a certain predetermined nature for the experiment which affected significantly the possibility of verifying it since the same conditions were not created for all organizations.

The supplemental taxes rising from the strict requirement to preserve the tasks of the state plan for the Eighth 5-Year Plan affected the engineering enterprises most conspicuously because of their dependency on extensive cooperative agreements and subcontractors which gave them actually a long-term predetermined program even before the experiment was begun. Under the tough economic conditions of the experiment, these enterprises were not capable of adequately reorienting themselves or mobilizing to the degree that they could complete the experiment and verify the goals pursued without significant problems.

According to the Previous Development

With progress in the work on restructuring the economic mechanism, the experiment began to be understood as a method of transition over to the new conditions of management. This is also expressed by the number and nature of the organizations currently involved in the experiment. The first organizations which entered into the experiment had a large share of the exports to nonsocialist countries, and above-average comparative price indicator, and met the conditions for their own development on the basis of self-financing. How the organization complied with the law on state enterprises being prepared at that time was also studied, along with its role in external relationships and the satisfaction of the internal needs of the national economy as well.

On the basis of these aspects 22 industrial organizations gradually began to be managed according to the rules of the experiment in 1987. In 1988 the selection of organization had a common theme of more suitable conditions for entrepreneurial action making it possible to try out the prepared self-financing earlier on. After organizational changes, the total number of organizations involved in the experiment as of 1 January 1989 was 101.

The experimenting organizations as of 31 December 1988 has a 21.5 percent share in the production of goods of centrally managed industry, 22 percent of the output, 24.8 percent of the adjusted value added, 25.5 percent of the profits, 37.8 percent of the exports to socialist countries, and 25.5 percent to nonsocialist countries. The experimenting construction organizations as of 31 December 1988 had a 21.4 percent share in the production of goods in their branch, 19.1 percent of the output, 31.5 percent of the adjusted value added, and 22.3

percent of the profits. The great weight of the experimenting organizations in the national economy is obvious. It was clearly not possible to pull them out of the tasks of the Eighth 5-Year Plan.

The course of the experiment has significantly differentiated levels and therefore it is necessary to approach an evaluation of its results in a similarly differentiated manner. In the first place, not all the organizations were adequately prepared in good time for entering into the experiment.

Organizations which entered into the experiment were predominately of the VHJ [economic production unit] type (especially in the FMHSE [federal ministry of metallurgy and medium engineering]) and those which have a low demand on funds and on the other hand a high demand for labor. Organizations which were largely oriented toward export before the experiment had achieved a high overall profitability, effective exports, and low expenses. In the course of 1987-1988 the experimenting organizations as a whole continued to show a greater growth rate in the majority of volume and quality indicators as compared with the other organizations. This therefore means that the headstart of the experimenting organizations was maintained, particularly in the qualitative indicators, during the course of the experiment.

Achieving qualitatively better results by some of the experimenting organizations was determined to a large extent by their previous development. They were stabilized economically and in principle had a good level of management and a capability of competing with their products (for example, Jablonec Jewelry and Tesla Holesovice).

However, the effectiveness of the comprehensive experiment was reduced not only by the short period of the experiment, but also by the simultaneous reorganization of the technical production base and the intervention by directive of the superior agencies and their levying additional tasks. This weakened the faith of the organizations in the stability of the conditions and led to concealing reserves. The comprehensive experiment thus did not get adequately promulgated into the intraenterprise *khozraschet*, into the collective, and into the personal material incentives. As a rule it was worked out predominately at the VHJ level, and redistribution between enterprises continued, which reduces the interest in the results achieved. Interest was also weakened by the appearance of new state enterprises since attention was shifted to the election of the enterprise agencies, etc.

In an overall assessment, the experimenting organizations indeed have a better developmental tendency than those not experimenting, but they did not achieve a significant improvement in the qualitative indicators. Specifically, for example, in profit, output, exports to socialist countries, deliveries for the domestic market, and wage efficiency the results of the experimenting

organizations were only slightly more favorable. The experimenting organizations are achieving a significant improvement in exports to nonsocialist countries, profitability of the production funds, productivity of labor, and especially in the payback of expenses.

The Activity of the Enterprises Has Grown

The overall results of the experimenting organizations are affected by the extent and variety of the set of organizations from 11 departments. They are also affected by the fact that the organizations tested out the new principles of management for various lengths of time and under differing conditions. The four largest experimenting organizations (ZTS [Heavy Machine Tool Enterprises] Martin, ZSE [High-Voltage Electrical Engineering Plants] Prague, TST [Engineering Technology Plants] Prague, and Agrozet Brno) did not achieve a basic turnaround in intensification in the relatively short period because of the complex conditions of production and marketing. Because they comprised 31 percent of the output of the experimenting organizations and 27 percent of the employees, their below-average results significantly affected the evaluation of the experimenting organizations as a whole in a negative manner. There was not achieved a higher profit by a higher evaluation of the resources.

It is necessary, however, to remind ourselves again that the experiment is taking place under the conditions of a given level of supply-demand relations and prices for expenses which have so far not been changed. The experiment thus confirmed the idea that without changes in the price structure, without overcoming the existing resource accounting and needs in the state plan, and without orientation of the enterprises toward maximizing profit, the extensive tendencies will just be reproduced. If the cost mechanism where the enterprises' earnings and the amount of their profit are dependent on the growth of costs for production in the cost prices is not done away with, it will be difficult to introduce intensive development.

Nonetheless, the experiment increased the entrepreneurial activity. This is testified to by the growth in profit, the effectiveness of exports, the drop in ware demands, the growth in the productivity of labor, as well as the increase in the intensive nature of new forms of enterprise (cooperation, stock companies, the direct sale of products, expansion of supplementary activities, interest in direct exports, etc.). This is especially true for some chemical, textile, and engineering organizations.

From the results which the experimenting organizations are achieving as a whole it is not possible to discern any very significant shift in their development. However, we reach different conclusions in studying the economic development of individual organizations or even entire branches. For example, in the centrally managed industry the experimenting organizations of the FMHSE department showed a growth in exports to nonsocialist countries in fob prices in 1988 of about 13 percent in

comparison with 1987, organizations of the CSR MP [Ministry of Industry] about 6 percent, and the SSR MP 18 percent. At the same time there was a decline from year to year in this indicator for the same period for, for example, Sigma Olomouc, Tesla Roznov, Tesla Liberec, Kozak Klatovy, Kara Trutnov, the Znojmo Ceramics Plants, Jtex Pisek, Tatravst Svít, the Presov Clothes Plants, and others. On the other hand, Tesla Holesovice, ZSE Prague, Lachema LBrno, Bytex Vratislavice, and others are showing a high growth rate.

The experimenting organizations of the CSR MP in 1988 showed a growth of 3 percent in output, 6 percent in deliveries to the market funds in retail prices, and the growth rate of profit is over 16 percent. In the SSR MP department the outputs grew by 6 percent, deliveries to the market funds in retail prices by 4 percent, and profit by 22 percent and in the FLMHSE department the deliveries to the market funds grew by 2 percent and profit by 7 percent. To ensure the necessary formation of profit, however, some organizations looked for undesirable ways by the production of more expensive items, continuing exports to socialist countries, etc. Some organizations appeared to be doing this particularly in the shoe, leather, and textile industry.

It is necessary to state objectively that the growth in profit for many organizations includes a high profit from foreign trade. Its amount often also covers losses in the domestic economy. In organizations where the planned profit was not achieved (for example, the Slovak Technical Glass Plants Bratislava and the Trencin Clothes Plants), the allocations to the enterprise funds were reduced which affected in particular capital investment, compensation, and shares in the economic results.

The experimenting enterprises showed greater interest in their own long-term development. This is borne out by the use of disburseable profit for investment and technical development, as well as for the formation of reserve funds above the obligatory minimum allocations. The development fund often received priority even at the expense of possible supplements to the compensation fund. This tendency was supported as well by the attempt to prevent a possible unfavorable development in supplies which must be financed from the development fund.

Thus in the industrial enterprises under the SSR MP the development fund was used at 11 percent for technical development, 80 percent for capital construction and the repayment of long-term credits, and only 1 percent for growth in supplies. The reserve fund also grew. The reason is also to be found in the high write-off of fixed assets which, for example, in Textilana reach 66 percent of the installation price, in Hedba Moravska Trebova 65 percent.

The increase in independence in deciding on the use of their own financial resources, especially in the development fund, also showed up as a positive factor. The enterprises can, with the overall simplification, make

more flexible use of these resources in substituting production factors and at the same time they can make more deliberate decisions on the purpose of their use (the fund resources are not forfeited). In some organizations (for example, Tesla Hlesovice, Textilana Liberec, Czechoslovak Musical Instruments) they checked out expanding the development fund to include financing repairs and maintenance. Even though this expansion is rated positively by the organization since from the standpoint of enterprise effectiveness it has contributed to a more rational utilization of resources, we cannot forget the risk involved in the possibility of investing operational (untaxed) resources as well.

Authority Bears Fruit

The introduction of standard tax deductions from wages and production funds has showed up positively in pressure to utilize labor and fixed assets. Of key importance was the application of disburseable profit as the aggregate criterion for activities and its direct impact on the allocations to enterprise funds and on material incentives for the work collective (an increased share of the compensation fund from the disburseable profit and the connection with the annual compensation of management).

The use of self-financing and *khozraschet* assumes a uniform tax on profit. In the experiment, however, its effect so far has not been verifiable in regard to the financial relations based on the Eighth 5-Year Plan. Differentiated taxes were therefore applied in the state budget in the form of supplemental taxes or deductions from taxes. The overall tax burden thus shows a marked deviation from 23 percent for the Karlovy Vary Porcelain Works up to 84 percent for the Moser Glassworks and 96 percent for Gottwaldov Ground Construction. It was proven in so doing that a great tax burden reduces interest in making a profit and makes it impossible to apply *khozraschet* and self-financing fully.

The system of orienting wage resources that was checked out strives to interest the organization in increasing profit. Despite this, it is not possible to carry out an unambiguous evaluation of the effectiveness of the individual orientations of the wage resources because the mechanisms had to be adjusted to the conditions of maintaining the Eighth 5-Year Plan and therefore could not act as was presumed in the new economic mechanism. Wage development, especially in the incremental growth norms and the tariff system, therefore also did not demonstrate a practical difference.

The new orientation of wage resources and transferral of the authority for utilizing the wage fund to the organization showed up in modifications to the internal rules for the incentive system. The experimenting organizations orient their incentive systems more at improving the final results and quality, limit the number of premium indicators, and expand the use of collective premiums. In doing so, however, they do not find sufficient courage for more marked differentiation of earnings

according to results. In some organizations they are continuing the attempt at distributing wage resources without regard to the results of the structural units and connecting the development of the compensation fund more clearly only with the incentive system of the technical economic employees. The workmen's premiums from the compensation fund is not reduced even when there is inadequate creation of the fund and it is paid to the full amount from the wage costs in violation of the internal regulations, as is the case, for example, with Elitex Liberec.

The authority of the organizations has expanded in managing the hard currency resources created. In principle this freed up the existing planning procedures. Several types of tools for managing hard currency were checked out. The indicators are still influenced to a certain degree by the plan, however, either directly (the export-import account, norms with a minimum absolute payment) or indirectly (norms of hard currency intensiveness).

At a number of organizations, however, the experiment was not in effect for external relationships. Contributing to this were both administrative problems and material ones where it was more advantageous for the organization to continue with the existing management of foreign trade operations. The results of the great majority of experimenting organizations in foreign trade, without regard to the type of tool being checked out, are slightly better than those not experimenting, even though the evaluation is probably for too short a period to be judged seriously. Despite the fact that more significant hard currency credits were not used in the course of the experiment, they have positive results in hard currency self-financing of the organization in opening up a hard currency asset account with a bank.

It Is Not Succeeding With Prices

For prices, the experiment was particularly oriented toward broader utilization of foreign prices and toward application of contractual prices and contractual increases and decreases. The experimenting organizations still only rarely and unilaterally approach the creation of wholesale prices in accordance with the foreign price relations. Likewise the derivation of wholesale prices from the fob export prices above the structure of the generally applicable principles was used by organizations only to a negligible extent (for example, Gumarne I May Puchov, Tatrasvit Svit). The reason may be the fact that foreign price relations are usually a more demanding criterion than domestic production costs, even when the organization justifies nonapplication of this method of creation by the difficulties in obtaining data on foreign products and their prices.

The intention of making domestic prices objective according to the foreign markets was not achieved by the experimenting organizations. For this reason it is not possible to leave the further utilization of foreign prices

up to voluntary action and decisions by the organizations. To achieve the necessary results in the shortest possible time it will be necessary to bring the domestic prices into line with the foreign ones both in the plan for price development and in the mandatory rules for their creation.

The introduction of contractual increases and decreases in wholesale prices for deliveries to the market funds and partially for products for production consumption was motivated by the attempt at strengthening the customer's position and making it possible for him to contribute to better cooperation with the manufacturer and to a better satisfaction of his needs. Increases and decreases were utilized only rarely for deliveries for production consumption.

Information from the broader application of negotiated prices bears out its unilateral utilization to increase prices. It was applied to all production of the Jablonec Jewelry Plant, Crystalex, and Czechoslovak Musical Instruments. Jablonec Jewelry Plant thus showed within its free price scale an increase in wholesale prices of Kcs 51 million in 1987 and Kcs 60 million in 1988.

The composition of credits used by the organizations did not change markedly on their entrance into the comprehensive experiment. In the credit development there is a noticeable increase in credit assistance and a decrease in the deposits of the experimental organizations to the bank. Together with the opportunity to put the organization's funds into a common bank account, these factors made it possible to mobilize the total amount of payment inability of the experimenting organizations, even though its overall amount is still disturbing. Credit for continuing needs is freely exchangeable by the experimenting organizations with medium-term credits with an established payback.

The comprehensive experiment took place in an economic environment where the action of the tools of financial and currency considerations is not adequately developed. Conceptual work with credit likewise assumes a long-term nature and stability of the established management tools and the economic conditions of management. The positive effect of the credit approaches of the bank showed up more definitely at the experimenting organizations under the authority of the CSR central agencies, whose management was affected relatively the least by external actions.

Further Support to High Performers

The results of the comprehensive experiment must be judged soberly. The relatively brief period limiting the action of the predominating non-experimental surroundings and some specific approaches of the center to the experimenting organizations greatly affected the possibilities of thoroughly evaluating the action of the new systemic elements. In the evaluation it is therefore not possible to choose economic results which are affected by, among other things, differences in the starting points, but changes in the behavior of individual organizations.

Data show that in a number of organizations the experiment clearly created conditions for more effective management. Both the organizational and, mainly, the economic independence of the enterprise were increased. The transition to organizational and economic independence in principle took place without any great problems. This was successful where there was a goal-oriented development of the rules of the experiment right down to the lowest level of management.

The economic employees acquired an interest in their subconsciousness as to how to ensure sufficient financial resources of the organization itself, mainly for wages and for further effective development. Initiative had to be applied since one could not rely on directives. The mobilization effect is considered the most important bit of information from the comprehensive experiment after almost 3 years of its application. The experiment clearly showed that the new economic tools prepared as part of restructuring will not work if they do not involve people.

On the basis of the experience gained, one can evaluate the effect of the comprehensive experiment as positive. The experimenting organizations and the center above all were able to check out beforehand the demanding nature of the rules under which all state enterprises will eventually carry out their economic activities.

Experiences of the organizations where suitable attention was given to working up the rules for the experiment and catching the interest and initiative of the employees are an important political input which will bear fruit in the next stage of the restructuring. The room will be provided by the open nature of the economic mechanism prepared for introduction on 1 January 1990. Experiences from the experiment have already affected its preparation (for example, wage regulation, the payment system, hard currency standards, contractual prices). It therefore seems to be further useful to continue in verifying the economic mechanism and smoothly developing experimentation as one of the important forms and tools of management.

In this sense the CSSR government last June worked out a report on the evaluation of the effectiveness of the comprehensive experiment. Decree No 173/1989 laid down the task, among other things, of preparing further verification after 1990 directed especially at those parts of the economic mechanism which so far are not prepared for general application and which mean a further increasing of the organizations' independence and full responsibility for long-term development and satisfaction of social needs. In doing so, it cannot be a matter just of checking out new systemic measures, but must also simultaneously be a change in the orientation of the state's economic policy from the current support of lagging organizations to a definite preference for the high performers and the manufacturers able to compete or organizations which have a chance to reach that level within a reasonable time.

In keeping with the government decree cited above, all organizations which are included in the comprehensive experiment will be switched over to the payment system and a system of individual financial standards generally in effect from 1 January 1990. A number of organizations which are checking out elements in the comprehensive experiment which are compatible with the application of the new economic mechanism (that is, the payment system, the area of external relationships, wage regulation, and financial management) will terminate the experiment on 31 December 1989.

Organizations which are checking out elements which will not be applied for the time being in the system generally in effect can continue to verify them up to 31 December 1990 (CSSR Government Decree No 321/1986). These include standards of hard currency intensiveness with an asset account, income variants of wage regulation, the development fund merged with the repair fund, etc. Proposals for terminating or continuing the experiment will be submitted in August of this year by the control commission for the comprehensive experiment of the appropriate ministry on the basis of an agreement with the experimenting organization.

The economic experiment thus is not ending. It has demonstrated that it was well founded in its gradual implementation and the introduction of the new economic mechanism as a method making it possible to prepare oneself for the new requirements.

Economic Reform Directives 'Too Complicated'

24000180b Prague HOSPODARSKE NOVINY in Czech
18 Aug 89 p 9

[Article by Eng Petr Choulik, candidate of sciences, deputy director for economics, Technoplyn Enterprise, Prague: "As the Manager Sees It—The Rules Lack Simplicity, Explicitness, and Unity"]

[Text] Currently, we in the enterprises live in anticipation of the rules of the new economic mechanism. Without knowing them, we can only do serious work on the economic strategy of the enterprise with difficulty. And it is precisely these findings which we miss the most. That is why I was captivated by the article written by Eng Ivan Zahradka, entitled "Are We at the Crossroads?" (HOSPODARSKE NOVINY, No 27, 1989) in which he returns to the spirit and progress of realization pertaining to the measures adopted by the seventh session of the CPCZ CC.

I can only confirm the impression, based on the overall effect of changes made thus far, that the professional bureaucratic rhythm of work and the blinders worn by the central apparatus are slowing the pace of restructuring by virtue of the contradictory principles built into the law on national economic planning, the restructuring of wholesale prices, the unintelligibility of the wage regulations, and similar manifestations. Given this status, it is impossible to agree that the individualization of approaches on the part of the central organs toward

subordinate components should survive under some kind of even seemingly just pretext like, for example, the equalization of starting levels and conditions which exist at enterprises. This led to nothing good in the past and does not even benefit restructuring today.

Clear in Theory, But Not in Practice

In order to achieve the required change in the conduct of enterprises and, thus, in unfavorable economic trends, it is not permissible to allow restructuring to be modified into only some kind of set of administrative economic measures. The consistency of realization pertaining to the political program of restructuring, and in this sense even the seventh session of the CPCZ CC, is decisive with respect to a change in the conduct of people and, thus, also of enterprises and the central organs. Not even immediate measures can be executed in the old way, but must, primarily, consist of creating qualitatively new relationships if they are to lead to future and more ideal restructuring of the economic life of society. In this respect, the methods of work adopted by the central organs and the instruments used should be understandable, uniform, and not artificially contrived.

I believe that the system of administratively contrived cost prices should be fundamentally abandoned. In theoretical discussions, this question appears obvious. However, price practices proceed in another direction. It is fully realistic to abandon any kind of administrative price formation without a problem in areas where transactions in free currency markets either predominate or are at least a large part of commercial activities. The experiences recorded by the Crystalex Enterprise can serve as an example in this direction.

In areas where our enterprises are not capable of gaining or maintaining markets abroad, and particularly in areas where the domestic market is also heavily suppressed, prices must exert a strong external pressure, limiting the possibilities of growth for the pure product which had, hitherto, been achieved through the medium of administratively stipulated prices. This can clearly not be accomplished by anything other than by the gradual, but consistent transfer of foreign prices to the production engaged in by these producers. I believe that this is an acceptable path at a time when the immediate application of free price formation is unrealistic. Simultaneously, it is essential to make it possible for enterprises in these industries to technologically retool, of course, without the benefit of irrevocable subsidies, and assure the availability of adequate social measures for the released manpower so that the workers themselves would be interested in the changes.

The fact that, thus far, the urgency of social measures for released employees of enterprises has not moved into the foreground, the fact that, for the time being, not a single unprofitable enterprise, incapable of fulfilling its obligations, has been disestablished, tends to be more of an indication of the fact that nothing really so serious is happening, rather than indicating that this sort of thing

was not needed. In no event, however, can prices in the newly formed economic mechanism be based on the present level of complete production costs as long as we wish to continue maintaining the industrial structure which is obsolete and no longer reflects conditions today nor into the future. Including the undesirably high degree of employment in this sphere.

The level starting conditions created in the area of prices can preserve the stagnation of the economy and its structure rather well at the expense of overall societal interests. And it is, perhaps, unnecessary to mention that an effective price policy is not possible without a realistic exchange rate.

In order for the long-term interest of enterprises in their development to be supported, there is a need to change the taxation system. This change is currently being prepared and, in part, already being realized. I have in mind the introduction of criterial taxes in the place of individualized ones. However, it is necessary for the transition toward the use of these taxes to be consistent. If a high tax on profits will exist (even though it be uniform) it will be completely appropriate to figure that a deep separation of conditions surrounding the formation of current and future costs in enterprises will ensue. The enterprises will, understandably, be interested in reducing profits in the interest of immediate effects. In actual fact, however, what is involved here is that, given the inadequately hard parametric environment, the enterprises should not give priority to the immediate effect over future needs. Consequently, the taxation of profits should be reasonable and be aimed more at their utilization.

For this reason, as well as because of the need for a substantial increase in the efficiency of involving the Czechoslovak economy in the international division of labor, the application of a value-added tax appears to be rational. After all, the majority of the parametric prices are formed in foreign markets and our calculations must necessarily adapt to them, if we wish to have efficient foreign trade. On the other hand, however, this presupposes a substantively preordained connection between revenues and expenditures and a balancing of the state budget, as well as of local budgets. Understandably, this places higher demands on the state apparatus, although these requirements are justified.

To Ensure That Interest Is Long-Term in Character

For socialist enterprises, the results represent not only profit, but also wages. In a rational working collective, which finds itself in a hard parametric environment, it can be anticipated that reasonable proportions between resources created by the enterprise and wages will be maintained. However, the spread-out nature of the market for products, with all the shortcomings inherent in supplier-consumer relationships, a surplus of employment opportunities which is manifested as a shortage of manpower, and the strongly informal ties within the

economy actually create economic pressure which mitigates against such reasonable conduct. Consequently, it is now essential to find a rational economic criterion which would regulate the development of wages in enterprises. I do not believe that it would be necessary to think up some kind of special wage regulations.

It is clear that none of the systems for administrative wage regulation ever fulfilled their purpose, wages always grew more rapidly than the plan had anticipated. I believe that things will be no different now. Moreover, it was subsequently always necessary to somehow balance the social injustice which arose as a result of administrative wage regulation. I think that wage regulation should be based on agreement between the state, enterprises as employers, and the trade unions. It is curious to note that, thus far, the trade unions have not become expressly committed in this matter. Is it possible that it might be easier to hide behind administrative wage regulation? The total volume of wages created by the enterprise should be thoroughly dependent upon its profits. It is obvious that the enterprise should be guided toward making priority use of profits to accumulate resources or to create reserves. This can be achieved, for example, by differentiated taxation of the use to which profits are put.

And finally, if we wish to orient the enterprise consistently toward long-term development, it is essential to reform its finances and also adapt the accounting methods accordingly. The basis for restructuring should be the binding establishment of a single enterprise account from which all types of payments, including wages, would be paid. The enterprise could make payments only if it had resources for them in the account. This would establish conditions for the simplification of any kind of future standard regulation pertaining to the creation of enterprise assets. In the first phase, it would obviously be necessary to allow the enterprises to retain a larger share of their overproduction for financial consolidation and for the creation of reserves which, as a result of the existing economic mechanism, are practically nonexistent. Subsequently, however, the statewide problem of tremendous insolvency would have to disappear and it can be anticipated that the inordinate size of the inventory would also disappear, accompanied by the gradual firming up of the market.

I consider that the principles of management, which are based on the profitability of all enterprise assets which are, in turn, determined by the objective yardsticks of competitiveness in foreign markets, to be the basis for desirable changes in the conduct of enterprises, in their orientation for the future. To the extent to which we proceed from these starting points, it will make it possible to establish simple, unambiguous, and uniform regulations for enterprises, leading to the renewal of the dynamic development of our national economy.

Limited Foreign Currency Market To Open

24000172c Prague HOSPODARSKE NOVINY in Czech
No 30, 1989 p 3

[Article by JULDr Eng Karel Hajek, CSc, General Director, State Bank of Czechoslovakia: "Foreign Currency for Korunas"]

[Text] In July 1989 an experiment to try out a limited foreign currency market for freely convertible currencies will start. We bring you an informational article on this.

The participants in the limited foreign currency market can be those organizations which will have a right to dispose of foreign currency resources and set up the appropriate foreign currency accounts for this purpose. The participants in the market can also be banks operating on the territory of the CSSR, including the SBČS [State Bank of Czechoslovakia].

The basic principle of the market's functioning is the foreign currency auctions. In a situation of a deficit in foreign currency at the beginning and the proposed type of exchange, the "price" of foreign currency to korunas must deviate from the *par*¹—1:1 relationship according to demand and in this case upward at the expense of the koruna. There will always be a premium and additional korunas for the seller of korunas or foreign currency in foreign currency accounts. A relationship approaching the 1:1 ratio can occur only in a situation characterized by sufficient foreign currency and will signal the possibility of making the transition to a true internal foreign currency market.

The subject of trade will be the remainders in foreign currency asset and demand accounts of organizations at the Czechoslovak trade banks. These resources are the property of the appropriate organizations and are in their operational possession. The organizations offer them through their trade banks at auction sales with a pre stated premium in korunas. The organizations buying foreign currency proceed in an analogous reverse process.

The exchange is organized by the banking system and is anonymous for the organizations. The mutual exchange between specific organizations at an agreed-upon price is not allowed. The "price" of the foreign currency must be determined by the objective market. Interest in purchasing or sale must therefore be announced by the appropriate trade bank as a mandatory matter.

For technical reasons trading will not be done with just any amount of foreign currency, but with the basic lots² and their multiples. *The basic lot is established for beginning the market as a sum of Kcs 10,000 (and its equivalent in foreign currency where it exists). Because the nature of the market allows for supplementary actions and the need to optimize even the small-scale foreign currency intentions of the enterprise field, we recommend starting with a sufficiently small size for the basic lot which can be changed as experience is gained.*

The limited foreign currency market will be a two-level one. It will consist of the trade banks and one of them

(the CSOB [Czechoslovak Trade Bank]) will have the function of the actual foreign currency exchange to which the other trade banks will pass the lists of offers and demands of their clients.

In the course of the first 20 days of each month the interested organizations inform their banks (the manager of the appropriate foreign currency account) of their interest in the sale or purchase of a given amount of foreign currency resources. The trade banks take care of registering the accumulated offers and demands within the circle of their clients and inform the Czechoslovak Trade Bank of them (no later than the 20th day of each month) and at the same time put into effect the method for technical implementation of the transaction (the banking connection of the interested organizations).

The auction will be held the last Wednesday in the month. The actual auction will take place in the CSOB building (Na prikope 14, Prague 1), attended by representatives of the trade banks.

The course of the auction will directly controlled by the auction committee which summarizes the offers for sale and purchase and sets the premium in percentages over "par" making the offered (foreign currency) korunas or foreign currency more expensive on the basis of an evaluation of the ratio of offers and demands and consideration of the previous auction experience. The agreed-upon premium is reported to their clients by the individual trade banks who confirm among themselves the validity of the offers and demands at the proposed prices and report the result operationally to the auction. Each participating trade bank ensures within the circle of its clients the most suitable technical mechanism for making the premium more precise and comparison of offers and demands (for example, the personal participation of the clients, by telephone, by teleprinter, etc.).

In the second round, the consolidated demand achieved will again be compared with the committed offer and in the case of a discrepancy in quantity there will be carried out a new increase or decrease in the proposed premium and the level of interest in purchase at the higher or lower price will be checked out operationally. This process will be repeated until there is a balance in the offers and demands. After achieving a balance and determining the result of the auction there will be an accounting carried out. For this purpose there will be a collective koruna account and a collective demand account in foreign currency set up at the CSOB. The buyers pay 1 percent of the value of the contract for the banking executory services of the appropriate commission.

The limited foreign currency market will be directed and supported by the bank auction committee whose members will be representatives of all interested banks and the federal ministry of finance. The members of the auction committee are named by the chairman of the State Bank of Czechoslovakia. The auction committee determines the technical rules for the functioning of the

market, the accounting mechanism, and the extent and types of operations performed. The agency responsible for the concept and direction of the limited foreign currency market is the State Bank of Czechoslovakia and foreign currency supervision is performed by the federal ministry of finance.

The schedule for beginning the experimental functioning of the limited foreign currency market was set at 1 July 1989 so that by the end of this year there will be an analysis of the experiences in the functioning of the new foreign currency mechanism and a determination of the further form of activity of this market. In doing so, it is planned that in the next phase there will be a proposal for expanding the market to include the possibility of forward purchases and sales, swaps, etc. Such a market and its appropriate managing agency will also be the basis for an eventual future securities market in the Czechoslovak economy as soon as there is a need to set up that market.

The limited foreign currency market which is supposed to change over to the basic systemic form of foreign currency sale and purchase after acquiring greater experience and a balance in the foreign currency situation (a foreign currency market of the classic type) is thus the starting point for the creation of prerequisites for implementing the planned program of a transition to the exchangability of the Czechoslovak koruna which will be specifically prepared in the next period. The development of the limited foreign currency market and its transition to a classic foreign currency market thus will be the reason and condition for a substantial limiting of central redistribution of foreign currency and the introduction of the market as the important form of its distribution.

Footnotes

1. "pari" equals level of the nominal, i.e. official commercial rate of the Kcs with respect to convertible currencies.
2. "lot" equals commercial unit of currencies used as a basis for auction. One lot is the smallest amount which can be traded. Larger amounts are traded at even multiples of the basic lot.

Lack of Foreign Trade Competitiveness Discussed 24000180c Prague HOSPODARSKI NOVINY in Czech 25 Aug 89 pp 8-9

[Interview with Pavel Elias, engineer and commercial and economic deputy director of the Minerva Enterprise at Boskovice; Dr Oldrich Chronc, candidate of sciences, Economic and Social Department of the CPCZ CC; Dr Miroslav Kolanda, candidate of sciences, Prognostication Institute of the Czechoslovak Academy of Sciences; Lubomir Pukl, engineer and technical deputy director of the Minerva Enterprise at Boskovice; Karel Sulc, engineer and director of the Adasta Enterprise at Adamov; and Ivan Zahradka, engineer and director of the Frigera

Enterprise at Kolin, by Miroslav Kana and Michal Voracek: "It Is Not Possible To Swim Against the Current for Long—On the Competitiveness of Our Enterprises Abroad"; date and place not given; first two paragraphs are HOSPODARSKI NOVINY introduction]

[Text] For many years, party and state resolutions have not failed to emphasize that Czechoslovakia must perform efficiently in foreign markets, cannot isolate itself from the world market, and cannot react to the worldwide internationalizing challenge by erecting national barriers. Old-time inevitability for small countries, which continues not to be adequately taken into account, is put into a new light by the restructuring of the economic mechanism and by the development of the international political and economic situation in the world during the 2d half of the 1980's. For long years, however, the situation in our external economic relationships has been deteriorating and complicated starting conditions have arisen with respect to solving the economic situation—conditions which have basically been known in theory for virtually 3 decades. Proof of this is also the continuing lower competitiveness of our enterprises vis-a-vis their rivals in world markets. Daily, we are becoming convinced that this is one of the key moments in economic development—it is not possible to swim upstream against world economic conditions.

We invited Eng Pavel Elias, the commercial and economic deputy director of the Minerva Enterprise at Boskovice; Dr Oldrich Chronc, candidate of sciences, an employee of the Economic and Social Department of the CPCZ CC; Dr Miroslav Kolanda, candidate of sciences, from the Prognostication Institute of the Czechoslovak Academy of Sciences; Eng Lubomir Pukl, the technical deputy director of the Minerva Enterprise at Boskovice; Eng Karel Sulc, the director of the Adasta Enterprise at Adamov; and Eng Ivan Zahradka, the director of the Frigera Enterprise at Kolin, to our round-table discussion on the status, the basic factors, and opportunities for increasing the competitiveness of our enterprises.

[HOSPODARSKI NOVINY (HN)] How do things look today from the macroeconomic standpoint with respect to the competitiveness of our enterprises?

Kolanda: That depends on how we look at competitiveness. Whether we regard it merely from the internal standpoint—which is very undemanding—or whether, in contrast, we regard it from the demanding viewpoint of the world market. In any case, and I dealt with competitiveness and export efficiency for many years at the Research Institute of External Economic Relationships, we have our work cut out for us with a highly differentiated status. Our enterprises are variably equipped with basic assets. The largest differences then exist in export efficiency, particularly with respect to the most demanding markets.

[HN] You are not being exactly specific.

Kolanda: I have here a comparison between one of our most efficient export enterprises and one of our least efficient enterprises. The capital asset ratio of the employees of both of these enterprises is approximately the same. The wear and tear on basic assets at the most efficient enterprise is 50 percent and at the least efficient enterprise, 33 percent. Productivity in gross production is Kcs 250,000 on the one side and Kcs 160,000 on the other side. The share of exports to nonsocialist countries runs 23 percent and 0, respectively. Exports in FOB koruna prices over recent years per Kcs 1,000 of capital investment, which was invested in the enterprise in the previous 10 years, amount to 19,000 for one enterprise and Kcs 350 for the other. We speak of the fact that enterprises are equipped variably, but we chastely overlook the differences which exist in their outputs. Analyses indicate that of 1,200 enterprises in the centrally managed industries, barely 10 record production and export outputs comparable with western Europe. Some 40-50 enterprises could then begin to operate immediately in western Europe without major problems.

[HN] Exactly who?

Kolanda: The good ones include the Adamov Machine Plants, the TOS Enterprise at Varnsdorf, the Smerala Enterprises at Brno, the Elitex Enterprise at Usti nad Orlici, the Elitex Enterprise at Cerveny Kostelec, the Elitex Enterprise at Trebic, the TOS Enterprise at Kurim, the Kovosvit Enterprise at Sezimovo Usti, and a number of glass-manufacturing enterprises.

Sulc: I feel that you are using incorrect documentation. Analyses of export capability at the enterprise level do not tell all. Export enterprises generally do not produce only one type of product. Hard-to-come-by domestic machine tools and tools from nonsocialist countries, as well as demanding construction projects, have been obtainable only in centrally followed actions. Our area of printing machines, despite continued high exports, never was assigned any priority at all and, therefore, our production base became obsolete. Foreign currency credits, paid for by above-plan exports to nonsocialist countries, were not passable for high planned exports. Although we did solve some problems with these credits, it is far from sufficient. I want to say with all this that in enterprises which are similar to ours the so-called export area has an average wear and tear on machines and a

higher export per Kcs 1,000 invested as well than the average enterprise listed in your analyses.

[HN] Even a layman knows that in our country enterprises which are poorly competitive predominate. Their number is alarming. But let us go on—what is key is the kind of consequences which lower competitiveness among our enterprises has.

Kolanda: For one, we are not keeping pace with the dynamics of world development. For another, we are invoicing at lower or substantially lower prices and this means that, in many cases, we do not even break even with respect to our costs. Naturally, we do not keep pace with the structural tendencies in the world, our enterprises are not engaged in major innovations. In our exports, we then do not have any more progressive technologies. We did have them, but they have dropped out in the last 10 years.

Chronc: To speak of the ability to compete means to look back a few years and also to look forward. The macroeconomic view for the last decade, particularly from the standpoint of our export capabilities and export effectiveness is certainly not rosy. I am not a proponent of comparisons, but numbers can tell the story. For a long time now, favorable exchange transactions have not been developing, particularly in the engineering industry and electrotechnology. These are areas which we are placing in the foreground and we classify them as key factors in impacting on demanding world markets. The per-kilogram prices have also been developing in an unfavorable manner. For example, we see that West European producers of classic engineering products are achieving virtually three times higher per-kilogram prices than is the case with us in the European Economic Community market. The situation is still worse with respect to electrotechnology products. Among other things, this means losses in revenues. Of course, this also is connected with the way we regard the efficiency of our exports. For the time being, we measure it with indicators of difference at the macro level—in other words, by the ratio between FOB prices and wholesale prices. However, the sides of the fraction are inconsistent; particularly wholesale prices do not have such an indicator capability as we would imagine because they are torn away from the situation in the world, as opposed to FOB prices.

Table 1. Comparison of Selected Indicators at the TOS Enterprise at Varnsdorf and the BAZ Enterprise at Bratislava (1987)

Item	TOS	BAZ
Total number of employees (physical persons)	1,957	4,561
Average monthly worker wage (Kcs)	3,285	3,026
Basic assets (000 Kcs of acquisition price)	654,586	1,626,906
Wear and tear on basic assets (percent)	55.96	33.09
Capital asset ratio (Kcs per employee)	334,484	356,699
Investment (000 Kcs)	24,720	247,038

Table 1. Comparison of Selected Indicators at the TOS Enterprise at Varnsdorf and the BAZ Enterprise at Bratislava (1987) (Continued)

Item	TOS	BAZ
Gross production (000 Kcs in constant prices)	492,476	742,644
Productivity per employee engaged in gross production (Kcs)	251,648	162,825
Adjusted value-added output (000 Kcs)	161,678	195,904
Productivity per employee in terms of adjusted value-added outputs (Kcs)	82,615	42,952
Sales for total exports (000 Kcs, production costs)	233,643	33,396
Sales for total exports (000 Kcs, FOB prices)	412,551	50,801
Share of exports in wholesale prices of total sales (percent)	48.31	4.45
Total exports per employee (Kcs, FOB)	210,808	11,138
Total exports per 1,000 Kcs of basic assets (Kcs, FOB)	630.25	31.23
Sales for export to socialist countries (000 Kcs, production costs)	249,717	50,801
Sales for export to socialist countries (000 Kcs, FOB prices)	122,686	33,396
Share of exports to socialist countries in total sales (percent)	25.37	4.45
Exports to socialist countries per employee (Kcs, FOB)	127,602	11,138
Exports to socialist countries per 1,000 Kcs of basic assets (Kcs, FOB prices)	381.49	31.23
Sales for export to nonsocialist countries (000 Kcs, production costs)	110,957	—
Sales for export to nonsocialist countries (000 Kcs, FOB prices)	162,834	—
Share of export to nonsocialist countries in total sales (percent)	22.94	—
Exports to nonsocialist countries per 1,000 Kcs of basic assets (Kcs, FOB prices)	248.76	—

Data taken from the data system of long-term information regarding industry provided by the Federal Statistical Office.

Elias: As can be seen from this example, the fault does not only lie with the enterprises. One of the factors in the ability to compete is to make one's trademark known in a certain market and to introduce the products there in a good manner. And, as far as exports to capitalist countries are concerned, we have not had an objective interest in doing so because a koruna of profit based on exports to socialist countries and a koruna of profit based on exports to nonsocialist countries had the same value. Only, the efficiency of exports to socialist countries was greater and that is why we preferred to export in that direction and we were abandoning the capitalist markets. Today, the situation is different because the foreign exchange standard applies. Now, the chickens are coming home to roost, directly to the enterprise. We are finding out that we do not have our technology at the desired level and that we do not have foreign exchange with which to purchase it. Our products are not capable of competing perhaps because they lack the necessary quality, but this is also the result of recent practices by the central authorities.

[HN] So then, do the reasons for low competitiveness lie more with the central authorities or with the enterprises?

Chronc: Our economy is open with respect to relatively soft markets in the socialist countries which, over recent years, have not created an adequate whip, adequate economic pressure to compel us to conduct ourselves in a manner which is different from our conduct thus far....

[HN] Something upon which the central authorities exert a sizable influence. For example, the enterprises frequently characterize the policies of the Ministry of Foreign Trade as a policy which promotes lower-quality merchandise, for example, for export to socialist markets. And who is actually responsible for the current status of affairs?

Chronc: Essentially, the entire foreign trade establishment is an executive instrument of state policy. There is talk indicating as though the frequently criticized export of standing timber were a foreign trade problem, or the criticized export of road material. We are dealing here with a deep lack of understanding. The ability to compete is a broad category. To stress only one factor and to suppress another would not be good. This is also true when it comes to identifying the culprits.

Kolanda: It must be clearly stated that, not only in Czechoslovakia, but in the other CEMA countries, the central authorities had created an incorrect environment and that it is difficult to expect that the enterprises will adopt a correct orientation within this environment, that they will proceed in a demanding manner within a nondemanding environment. It is necessary to inject rationality into enterprises from outside. The enterprise itself never has the tendency to work rationally. You must educate a child, an enterprise must have external parameters, and the state must have parameters stemming from the international environment in order to behave rationally.

Chronc: We are not contradicting each other. Several times, at various round-table discussions, we have asked enterprise directors a question: Do you perceive the economic need and necessity to engage in the international division of labor? The overwhelming majority say: No, we do not perceive an economic necessity, not even in the foreseeable future. The existing mechanism created economic barriers preventing the enterprise sphere from pressing for participation in the international division of labor. The fact that our enterprise sphere was not adequately interconnected with the external environment helped in the decline of the ability to compete. But this is not the only factor.

Sulc: The ability to compete is a matter primarily of people. And people must have the opportunity for knowledge. Previously, a designer would draw something on a sugar bag abroad, he was back in 3 days, and a week later a product ensued. And today, if anybody travels at all, it is the enterprise director and much less likely to be the designer or draftsman. The foreign trade enterprise does not provide us with appropriate information about the world.

Kolanda: I must say again that the low ability to compete was caused by a studied lack of entrepreneurship. Look at the successes enjoyed by the FRG, by Japan, South Korea, and a number of other countries. They have achieved profits not only because they had good products, but, primarily, because they learned how to work with the world market, how to involve the world market in their own growth. We did not do this, it was not necessary. To take risks did not pay in our country and continues not to pay. If the risk failed, there was a disaster. If it succeeded, the enterprise was not adequately rewarded.

[HN] Undoubtedly, the systems conditions in our economy are to blame. But not only in this discussion do we see that efforts are afoot to hide almost everything behind them. Specifically, the mechanism has caused outstanding enterprises to exist in this inadequate environment and, at the other end, those enterprises which perhaps should not exist, survive. The errors are indicative even with respect to internal enterprise strategy. The ability to compete is truly a matter for people, but not only for designers.

Elias: I admit that. We have made mistakes. Primarily, we did not create conditions for technicians to facilitate their work, to maintain machines at an adequate level. We were unable to bring about inspiring samples. We proved unable to send technicians on temporary duty assignments to world-class firms, etc.

[HN] Why are some enterprises capable of competing in foreign markets, according to your statement, and yet others are unable to export even a single screw?

Zahradka: I believe that in the majority of cases we are looking more at subjective causes of success; a tradition survives within the enterprise which has maintained a certain level. The successful enterprises which were

mentioned earlier are actually former Bata factories. Tradition does play its part. For the most part, smaller organizations rather than big ones, which were carriers of extensive trends, prevailed. Also, the set of management workers is important. I was lucky with respect to my predecessors who, even during the period of the sharpest extensive development, never disestablished the prototype workshops, shops for the production of single-purpose machines, they never reduced the number of designers. The Frigera Enterprise has 10 percent of its people in its research and development base and such a number is unusually high in Czechoslovakia.

[HN] The ability to compete is, thus, essentially a cadre question? If we had capable people everywhere and a tradition, then we would have more enterprises capable of prevailing under competitive circumstances?

Chronc: There can be no unequivocal answer. Some things have a general character and are based on objective laws of development in society. On the other hand, a large number of people in our country have become subconsciously aware that, effective 1 January 1990, we will start up the new economic mechanism and that everything will change. But if each individual, each working collective does not take hold, then it cannot function.

[HN] If, for example, we take the Minerva Enterprise, will every individual take a hold if we put it this way?

Pukl: I will do it differently: In my opinion, to have development at a good level and to be isolated from the world provides no hope. The development of products capable of competing occurs essentially in the marketplace. Products are not born only in developmental and design offices. There must be people in the factories who are fans of what is going on, people who have grown at the factory. But people there have little knowledge of foreign languages, have studied foreign literature only rarely, and then they are supposed to travel about the world. For the present, we continue in our inability to engage in foreign trade. This trade demands a certain tradition and contacts in the world. Those who have these contacts and are selling our products in turn do not know our factory because, for them, we represent a negligible volume. I believe that under the new rules of management, enterprises will strive to export products to nonsocialist countries so as to be able to purchase technologies with foreign exchange. Let us say that we need 20 machine tools and have a balance sufficient to purchase 2. That is why we want to increase exports. Not only pure exports of machinery, but also coproduction. In the near future, we want to increase exports to nonsocialist countries every year by Kcs 10 million foreign exchange; the plan for this year amounts to about 25 million and the plan for socialist country exports amounts to 430 million.

[HN] And why does the Adasta Enterprise export successfully?

Sulc: It exports because it continues to benefit from previous access to people and traditions. A certain Janecek was the chief designer at Adasta. He used to go to sleep with graphics equipment at night and wake up with it in the morning. He was surrounded by a good collective. Thanks to these people, the mechanical part of the machine continues to be comparable with the rest of the world. But the world is demanding electronics and accessories which increase output, reliability, operating rate, and things that reduce the cost of operation. In this respect, the world has left us standing still. The Japanese have equipment and electronics; we do not. And this is now plain in the printing industry and at Adamov. We are exporting our products to the most advanced markets which we would otherwise lose.

Kolanda: If we look at what is common to the enterprises which have an above-average capability to compete, then it is a longer tradition, say a tradition spanning at least 50 years. Enterprises with shorter traditions, for the most part, do not belong among the peak enterprises in our country's exports. Moreover, for the most part, they are not dependent on a great deal and extensive coproduction, but are able to manage with their own forces. Enterprises capable of competing are, today, found more often in small towns where another similar enterprise does not exist. People cannot change jobs and must value their positions. And finally, these enterprises generally do not have great contacts with the center. This is why the only way for them is to earn a profit—they have minimal chances to receive subsidies.

[HN] Let us begin yet another problem. There are enterprises which are currently quite frequently not even adequate for the socialist markets. Why?

Zahradka: To the extent to which we speak of the ability to compete, we automatically connect it with exports to nonsocialist countries. It was not so long ago when, in conjunction with the petroleum shocks, our principal task involved increasing exports to the USSR. This was understandable, we had to pay for the oil. The share of exports to the USSR increased substantially; this caused the narrowing of the variety in what we had to offer—say, components—because everyone wanted to sell final products to that territory. For example, we gradually found ourselves in a situation, given these transaction speeds, in which we had to replace those innovations which were intended to increase the utility value of our products with innovations which were intended to salvage the very existence of the product. We are constantly adapting our products to those components which are available rather than changing the product so it could be of optimum service to the user. The extent of these innovations in our country has substantially increased and, in my experience, now approximately represents 50 percent of our innovative activity, which is far from low. Other than that, we only speak of an interest in exporting to nonsocialist countries—there is no support for it. If we want to be capable of competing, this does not mean that we must conduct ourselves in the market in the same manner as our competitors. No one interferes with their

calculation of prices, no one tells them how much to set aside to cover guarantees, etc. Moreover, the state manifests its interest in having enterprises and products capable of competing through a number of specific measures designed to support exports.

Chronc: I tend to agree. An adequate number of methods of state support exists in the world to support the export activities of enterprises. A number of industrially advanced countries has a system of state incursions—export bonuses, subsidies—in brief, a number of economic instruments which it uses to promote those industries with which it wishes to penetrate into world markets. We, on the other hand—despite the fact that we paid lip service to the fact that we would work in the same manner—have proceeded in the opposite direction in years past. We knew that there was a relatively long-term boom in printing machinery. The Czechoslovak printing engineering industry has an excellent reputation, exports well, but, nevertheless, did not enjoy adequate support through 1989. And we can point to several such products. They need a system of state incursions so that selected enterprises might prove able to crank up the kind of revolutions which exist in the rest of the world.

Sulc: The capitalist world is truly seeking new forms—tax relief, various supports—to maintain a successful industry, or to support it. We lack that. The printing industry is a lucrative industry, the likes of which in Czechoslovakia can be counted on the fingers of one hand at the maximum. But over the past 10 years, this enterprise has not succeeded in obtaining a single inspirational sample, and not even a single koruna of foreign exchange for developmental tasks in science and technology. This must essentially show up in terms of the ability of our machines to compete. Moreover, people did not perceive either material or moral stimuli for bringing the national economy contributions worth hundreds of millions of foreign exchange.

Pukl: The Minerva Enterprise at Boskovice produces industrial sewing machines. We are a purely machinebuilding factory. I believe that machinebuilding factories have a greater chance of exporting than do electronics factories and other parts of our industry. If we consider only our machines, we are not substantially behind world levels in technical levels and outputs. With respect to some machines, for example, the hole-making machines, we are able to keep pace with the world and are 2-3 years behind in some cases. I do not believe this is so significant. The problem exists elsewhere. In my view, in the efforts to reach world markets, the technical level of our machines is in about the third to fifth place. We, as producers, are not well able to sell directly to customers. We must sell to someone who can handle our service. We are unable to do that and that is why our ability to compete is lower.

[HN] The Strojimport Enterprise is not able to do that?

Pukl: Strojimport is unable to maintain service and neither are we. Look, an ordinary industrial sewing machine comes to \$3,000. If it does not operate two shifts, then the manufacturer loses more than \$3,000. For him, it is not so important whether the machine makes 6,000 stitches per minute or 200 more. What is important for him is the breakdown rate of the machine, its reliability, and, thus, service for the machine. Over the years, we have become accustomed to saying that the machine sews, it is therefore good. However, in the world things are a bit different. We have now begun to export machines manufactured by one of our biggest competitors. In essence, this compels us to work at a high quality. They were here for the acceptance tests. They selected a machine; they disassembled it down to the last screw and checked every detail according to the drawings. And they said to us: "Gentlemen, can you explain to us why this component does not have a tolerance of H 7 when it is so specified in the drawing? If you are unable to produce it to those tolerances, select a tolerance which you can then adhere to." Another problem is also serious—it is not sufficient to only produce industrial sewing machines. The world is demanding technologies. A private individual who sews at home can buy an industrial sewing machine, but to sell these machines to manufacturers means the selling of technologies.

[HN] Of course, you are right, but, after all, that is your problem which no one can solve for you.

Pukl: We are not even considering the fact that anyone might solve anything for us.

[HN] Then it is a question of whether you will deliver a product which the world wants.

Pukl: We produce 30-40 types of industrial sewing machines. If we were to produce at the level wanted by the world, we must substantially narrow down the assortment and direct development to technologies.

[HN] And why do you then not narrow down the assortment?

Pukl: If we find a stable production assortment, we will narrow it down. This will hurt the Czechoslovak textile industry, but we will have to embark upon this path.

Elias: The assortment at Minerva was influenced by the fact that this is the sole producer of this type of machine in Czechoslovakia and also plays a certain role within CEMA. So the assortment was broadened to cover 30-40 models. From the standpoint of domestic consumers, even this number is too small. For example, we discontinued machines for the fancy goods and notions industry. Today, they are purchased from the Singer Sewing Machine Co. for about 10 times our price and have to be paid for in foreign exchange at that.

[HN] As the world demonstrates—even the developing world—there are even imports; but for them it is necessary to earn funds precisely through effective export efforts on the part of an economy profiled according to the parameters of the world economy. The final—and

key question—involves what is to be done in the immediate future to assure a fundamental increase in the ability of enterprises to compete in the world markets?

Elias: We want to find the final solution to the electronics problem in a joint enterprise; we have prepared coproduction. As far as the question of how to penetrate world markets and how to deal with the ability to compete, we have set ourselves the goal that we must prevail over several world firms to whom we will deliver machines for their commercial network even at the price of having them sell them under their own trademark. We promise ourselves that this move will increase our export capabilities. We do not see another way given our present opportunities.

Sulc: I will attempt to state it briefly. The central authorities must decide which industries are essential and must create room for them. We ourselves must increase the number of employees in the preproduction phases and employees engaged in marketing.

Kolanda: Time works against both those who dare and those who are indecisive. We should embark upon a tolerable level of risk and prosecute an enlightened export-oriented industrial policy, within the framework of which the central authorities would continuously conduct a qualified dialogue with enterprises regarding their chances, their opportunities, and with the help of which it would bring about outputs and would, thus, assist in attaining better results. This method is ongoing throughout the world. For example, Great Britain today has 98 methods of supporting the competitiveness of her firms. I would favor that, as is the case in a number of other countries, the outputs of enterprises as well as their financial situations, the subsidies they receive, and the support they receive be published four times a year, let us say, in *HOSPODARSKE NOVINY*. Then people would see, as they do in, say, *BRITISH BUSINESS*, that the Minerva Enterprise receives fewer subsidies than does Frigera and why. Czechoslovakia has a number of comparative advantages as opposed to Poland, Hungary, and even the Soviet Union, for increasing competitiveness. The economy here is more balanced and we have the enormous advantage of being situated in the geographic center of Europe. We do not appreciate the chances which stem from this situation enough; the fact that we are 200-500 km from large industrial centers such as Milan, Munich, Stuttgart. Our enterprises must utilize this fact and so must state economic policy. It is necessary to know what is going on in the world. And it is necessary to evaluate these events through the eyes of very rationally thinking economists and politicians, it is necessary to know fundamental world trends and to make efforts to adapt to them even from the standpoint of knowledge, science, and technology as well as production. This means that, for the next phase, a very hard selective rational structural policy must be selected, the results of which will have specific consequences upon individuals and worker collectives. We cannot have 70-75 percent of the world assortment of engineering production.

Zahradka: If an appropriate climate is created, then I believe that we are capable, within the enterprises, of expanding the competitive portion of our production. The cost-accounting (khozaschet) sphere is capable of rapidly mobilizing forces so that the degree of competitiveness as well as export outputs can be substantially increased in the course of the next 5-year plan.

Kolanda: The prerequisites for a growth in competitive capability include the imposition of the merit system even with respect to rewards. Throughout the world, normal output means normal pay, lower output means substantially lower pay, higher output means substantially higher pay. The nonlinearity of relationships and outputs holds true even for an enterprise, the prices it achieves, the extent of its sales, and, naturally, even its final results—in other words, its income and its growth possibilities. These are instruments utilized by the competition when it penetrates into a market and needs to increase output. [end interview]

The discussion has confirmed the following: If we do not wish to find ourselves on the periphery of the world economy, there is no choice but to reintroduce the capability to compete for at least all our significantly export-committed organizations and bring it to the necessary level. This is not a simple intention. However, it transpires that, first of all, the time when the economy was regarded as a homogeneous mass of economic entities which provide

essentially the same outputs and are, thus, equally rewarded thanks to administrative redistribution processes, must come to an end. According to analyses, approximately one-third of Czechoslovakia's industrial organizations attain export outputs which, at least at first glance, approximate the average outputs achieved by West European producers. At the same time, at least a quarter of the organizations are falling badly behind in terms of international competition with respect to their export outputs in view of their conditions. Such a differentiation is, on the one hand, an unpleasant springboard for and a justified target of criticism pertaining to the work of the management sphere, but also pertaining to the enterprises in the past. On the other hand, the current times offer the chance to rationalize the placement of investments in accordance with what they are expected to earn, much like the value processes in the economy. The beginning must obviously be the influence of the conditions of world economic development through to the enterprises in renewing realistic goods and monetary relationships. Although the current export outputs cannot fill one with optimism, the situation is solvable. The altered conditions of the past 2 years have brought a number of experimenting enterprises to export activities; they conduct themselves in a manner which the surroundings command. What is essential, however, is for the central management authorities to find the courage to make the transition from verbally proclaimed proexport-oriented structural and systems changes to deeds.

Table 2. Export Outputs of a Set of Selected Enterprises (Average 1986-1987)

Number of Stars	Number of Enterprises	In Percent						Export Per Employee (KCs, FOB Prices)
		Share in Sales for Export	Share in Sales for Export to Nonsocialist Countries	Share in Gross Production	Share in Number of Employees	Share in Basic Assets	Share in Investments	
10	8	1.70	3.76	0.77	1.66	1.04	1.16	84,270
9	13	5.35	5.79	2.36	3.26	2.39	2.56	135,628
8	32	8.39	11.58	5.31	6.67	6.50	7.89	104,085
7	41	16.33	18.02	12.23	10.21	12.33	11.52	132,208
6	59	25.95	21.22	18.46	16.13	16.98	18.61	132,984
5	78	14.47	16.74	18.66	14.11	16.42	16.75	84,778
4	98	15.67	12.87	20.67	22.88	22.67	19.55	56,622
3	63	6.76	4.08	9.04	10.78	8.16	8.95	51,829
2	50	3.72	4.48	7.75	8.99	9.05	7.70	34,234
1	26	1.03	0.90	3.03	3.56	2.94	3.90	23,954
0	16	0.63	0.56	1.72	1.75	1.52	1.41	29,642
Total	484	100.00	100.00	100.00	100.00	100.00	100.00	82,669

The data are based on an analysis of a set of 484 industrial enterprises and selected nonindustrial organizations in the processing industry in Czechoslovakia. This set of enterprises, in 1987, shared in the overall deliveries for export in centrally planned industries (in FOB prices) to the extent of 87.9 percent. The export output of the indicators was evaluated in a parallel form according to 10 basic indicators. If an enterprise records above-average value with respect to a certain indicator, it earns a star. Thus, it can earn a maximum of 10 stars, which, in the utilized methodology, is used to designate the most effective enterprises engaged in export activities. If an enterprise has more stars than another, it is, therefore, more efficient in exports than the average; however, this designation cannot be used to deduce the degree to which this enterprise is more efficient.

Source: EKONOMICKA STUDIE, No 97, 1988—VUVEV, Prague.

HUNGARY

Hungarian, Polish Economies Contrasted

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Hungarian 19 Aug 89 pp 4-6

[Article by Kalman Mizsei, Global Economic Research Institute associate: "Polish Crisis With Hungarian Lessons: 'Consolidarity'"]

[Text] Poland and Hungary were "officially" placed in the same category when a decision concerning assistance to the two East European countries—and to these two countries only—was reached at the Paris Summit of developed capitalist nations. In Poland, the breaking of the 40-year-old Communist governmental hegemony has come within reach. On the other hand, the Polish economy remains catastrophically unchanged. Many in Hungary worry that they may also see three-digit inflation here, and that long lines will appear in front of stores. But, according to the author of this article, an associate at the Global Economic Research Institute, the Hungarian perspective may not appear as bleak if we understand what has taken place in Poland during the past 10 years.

Polish Solidarity is East Europe's largest opposition movement. But the past 10 years have also revealed that the trade union formula for opposition creates dramatic problems from an economic standpoint. In 1980 the fact that the birth of Solidarity was accompanied by huge wage increases not supported by the production of goods may have appeared as just a short-term sacrifice, but shops were still emptied to an unprecedented degree, and the primary distribution centers were fully taken over by black market mechanisms as a result. The economy became disorganized.

The other unfavorable feature of the 1980-81 political situation was that it offered no compromise, and thus no viable solution at all. Within weeks, Solidarity had grown to become an organization of 10 million people. It covered the entire politically concerned public outside of the power elite. Nothing was left for the latter, except an escape to overt force. The PZPR [Polish United Workers Party] was forced against the wall, and a reform wing capable of exercising power was out of the question. In fact the evolution of such a reform wing was overtly impeded by the Soviet leadership under Brezhnev.

In 1982, under the protective wings of emergency conditions, PZPR tried to implement a limited reform such as Hungary had initiated in 1968, but these attempts were not enough to resolve the Polish problems of the 1980's. Due to shortages they did not dare to exchange materials distribution for market mechanisms, and brakes similar to those found in Hungary were built into the pricing mechanism, wage regulations, and the flow of money. Reform did contribute to the improvement of the foreign trade balance, but it proved to be insufficient to stop social decay and the spread of poverty. The dollar's role in the domestic market further expanded,

and persons not continuously receiving convertible currencies slipped down to Third World living conditions with no hope of reemerging.

But the mini-consolidation also lost its steam by the mid-1980's, and economic policy was forced to take new steps. Even then the weakened and disorganized power center would not dare to take on large enterprises. Instead of market reforms doing away with monopolies, the power center chose the technically more simple solution: a redistribution of income that was disadvantageous for the populace. Once again, the formula that had been used since 1970 worked. Large enterprise workers took job actions for wage increases. In this regard the leading core of large enterprises was much more a cooperative partner than an enemy. After all, under shortage (i.e. socialist) economic conditions, enterprise leaders are interested in raising wages to the maximum possible levels. This is the final and simple reason why wage struggles that evolve in traditional trade unions (under capitalist conditions) generally do not make sense in shortage economies. Real improvement may be expected only as a result of forceful market reforms.

Because of Solidarity's recent election successes, analysts like to forget that trade unions were licensed once again partly because it turned out in the course of strikes that trade unions did not enjoy the mass support they used to. Admittedly, the still illegal Solidarity was preparing for a huge, general strike in 1988. This did not take place, however, because a large number of the enterprises did not support organized work stoppages in the citadels of heavy industry. The other reason for renewing the license was the country's dependence on Western governments. These governments established the licensing of trade unions as one of the conditions for more loyal financial cooperation. Solidarity was also strengthened by the fact that Walesa himself could select the opposition delegates to roundtable negotiations. In this way, these negotiations became essentially bilateral exchanges of ideas (disregarding the delegates of politically discredited official trade unions). The government scored against itself when it did not permit the organization of political parties, and thus a citizens' committee designated by Walesa was able to monopolize the role of the opposition in the course of elections.

It is true that due to its organization, and the moral dignity it developed during its 7 years of struggle in illegality, Solidarity would have been the strongest factor in the first elections. Its present overweight, however, carries the danger that, as in Argentina, a populist party formed on labor union foundations will determine the political opposition profile for a long time to come. This would diminish the chances for economic reforms.

The signs of this scenario can already be seen in the first 6 months of its legality. At the roundtable negotiations Solidarity has bargained successfully to achieve the indexing of wages, i.e. the adjustment of wages to inflation. Incidentally, these accomplishments are more moderate than what was perceived by demagogic official unions. But in the business sphere wage indexing served only to accelerate inflation and to disorganize wage regulations.

Solidarity is also fighting against the last measure taken by the Rakowski government, the freeing of agricultural commodities. Although this was not coupled with the disintegration of buying up monopolies (even though the legal framework for that was established,) a constructive attitude would call for a continuation of agricultural reform. In the midst of a degenerate demagogic labor union atmosphere, however, Solidarity does not dare to support agricultural reform in fear of losing its power base.

Similarly, broadly based workers' autonomy is a product of the self-restrained revolution of 1981. In those days reform economists regarded workers' autonomy as a way of breaking the party nomenclature. Nevertheless they had to pay dearly for their detour. The principle of self-governance which once again gained strength in 1988 and 1989 delayed real proprietary reform based on efficiency criteria, and nourished the demagogery supportive of social policies.

Thus far in Hungary political struggles have not disintegrated the economy. Opposition forces are organizing on a political rather than on a labor union basis. Thus the public is able to choose between real political programs and organizations. The opposition is not represented by one organization only, and this increases the probability of a peaceful transition, one that does not even exclude the Hungarian Socialist Workers Party [MSZMP]. Contrary to the Polish situation, the ruling party in Hungary has a professionally competent reform wing. The MSZMP's October congress will demonstrate to what extent opposition forces can count on the MSZMP reform wing as a factor in the power struggle.

Historical experience and the results of recent special elections demonstrate that populist forces that stand on the platform of historic traditions play a central role on Hungary's political palette. There appears to be a good chance that a truly modern ideology approaching the Western European people's party programs of the 1980's will prevail over demagogic labor interest protection trends which disintegrate the economic system. The people's party responsible for the fate of the nation must accept a program to return the economy to private hands, as compared to the populist-romantic pseudo-reforms of self-governance which lead nowhere.

Proprietary reform can be realized only gradually. Meanwhile there is danger that the race for wage increases may get out of hand. How can the Polish trap be avoided during this period of transition? Much depends on the sobriety of political parties. They must not endeavor to acquire cheap laurels by supporting an anticipated increased number of workers' actions fueled by the leaders of interest groups in the various branches. We should not forget that the implementation of a stringent wage policy was an important factor in the partial economic successes of 1988. There is no need for wage regulations when there is real competition, but in the state sector still untouched by proprietary reform, wage

regulation can be discontinued only if the government provides credible proof that it has the strength to liquidate bankrupt enterprises.

The ruling party will be faced with a great test of strength in the upcoming period. It will be revealed to what extent it is able to stand up against the extortionist actions of leading lobbyists, and to what extent its government will be suitable to function in harmony, as a truly central government, in the interest of accomplishing the most professionally defined reform objectives and economic goals in East Europe.

Today's international environment is uniquely interested in Hungarian evolution. In contrast to the Polish government, the Hungarian government was able to resist the temptation to interpret the intent of the announced Western aid as a demoralizing support payment, or to request a rescheduling of debts, which would have produced extremely unfavorable consequences.

It is possible that a government without Communists will be formed in Poland. Nevertheless, the chance for an economic evolution through a change in regime is greater in Hungary. The violation of human nature and of the country's elementary interests for 40 years must be paid for by the people, both here and there. The question is whether the bill will be larger.

Changes in Law on Cooperatives, Effects Described

*25000430a Budapest NEPSZABADSAG in Hungarian
29 Aug 89 p 7*

[Interview with Lajos Koveskuti, National Federation of Industrial Cooperatives president, by Istvan Foldes: "More Stable Assets Since They Are Divisible"; date and place not given; first two paragraphs are introduction]

[Text] As a result of changes in cooperative law, the rearrangement of proprietary relations in industrial cooperatives has already begun. National Assembly Law No 15 of 1989 modified the earlier provisions of the law on cooperatives to the effect that certificates representing business shares may be issued against the cooperative's assets. The law also provides for the issuance of shares free of charge, and the decree having the force of law concerning industrial cooperatives enables members of cooperatives to raise their share certificates by 2 months worth of basic wages. All this represents a substantial change in the proprietary relations of cooperatives.

We discussed this matter with Lajos Koveskuti, National Federation of Industrial Cooperatives [OKISZ] president.

Cooperative Members Became Hired Laborers

[NEPSZABADSAG] What necessitated the establishment of new proprietary relationships in cooperatives?

[Koveskuti] I have been a member of a cooperative for 32 years. I entered the movement as a young engineer. Like others, I considered it natural for the incremental assets that come about as a result of my labor to add to a group property over which I dispose only indirectly, and which becomes indivisible cooperative property. This idea was based on the socialist vision we espoused. Accordingly, if for any reason—illness, moving away, etc.—my membership in the cooperative ceased, I would have no claim to the cooperative's assets. As far as I was concerned that property would be lost.

Cooperative members knew that they were not the real owners of cooperative property that came about as a result of their labor, but they regarded the cooperative as their own.

For many long years the official view regarded cooperative property as a transitional form of ownership, ranked below state property. This created a disadvantage for cooperatives and their members. The situation was changed by the 11th congress of the Hungarian Socialist Workers Party [MSZMP], which recognized cooperative property as socialist property equal to property owned by the nation as a whole, maintaining in both respects the indivisibility of most of the property.

To be able to judge the latter provision one should know that at the time cooperatives were formed, common property, as compared to the capital contribution of members—the share certificates—was very small, it was negligible. Share certificates dominated. These were shares of property owned by the members. Upon leaving a cooperative, members were entitled to be refunded their contribution. At the same time, however, subsequent incremental properties expanded the group property, and since the members' basic shares did not increase, or increased only minimally, indivisible property in industrial cooperatives exceeded 97 percent of all cooperative property over the past 40 years. Accordingly, a member was able to consider only a small percentage of the cooperative as his own personal property. The consequence of this was that, like workers in state enterprises, cooperative members became hired laborers. Therefore the member had no particular interest in increasing the accumulation of assets. His goal was to earn as much as possible.

The Turnaround

[NEPSZABADSAG] In recent years an increasing number of cooperative members have criticized the situation that evolved, and have expressed a need to restore proprietary forms commensurate with the character of cooperatives. When did this turnaround take place?

[Koveskuti] In response to initiatives made by cooperatives, the spring session of Parliament changed the law on cooperatives and adopted the institution of free share certificates. Detailed rules were published in January 1989. Unfortunately, these regulations were different from the concept we developed. For this reason we

initiated another change in the law. Its purpose was to ensure that cooperatives do not find themselves more disadvantaged than organizations operating under the law of business organizations. It was our common endeavor to see to it that cooperative members, in their capacity as owners, have an incentive to accumulate as much in assets and to operate with the most modern means of production possible, in order to cease the injustice, by which the incremental assets created by putting the cooperative members' own capital to work serve exclusively to increase the group's property. Another goal we had was to render assets accumulated thus far, in full or in part, as the real, inheritable property of cooperative members, and to allow share certificates to be supplemented from the existing pool of assets.

On the basis of arguments we presented, the Council of Ministers decided at its April 1989 meeting to present our proposals to Parliament. The May session of Parliament enacted the significant changes in cooperative property conditions. I could also say that as a result of this, proprietary reform within the cooperative movement has begun, and this may serve as a model in other areas of the people's economy.

[NEPSZABADSAG] What is the essence of the new rules?

[Koveskuti] As a result of the new law on cooperatives it became possible for all assets owned by small cooperatives, accumulated as a result of the cooperatives' own efforts after 1 January 1982, to be assigned individually to cooperative members in the form of business shares. Such business shares are securities just like stocks. In traditional cooperatives which functioned prior to 1982, and in small cooperatives which spun off these traditional cooperatives, only half of the accumulated assets may be assigned to individual members in the form of business shares. The other half remains common property. The distribution must be made on the basis of the 31 December 1988 balance sheet.

The business shares represent part of the assets owned. They are inheritable and, like stocks, may be sold to persons outside the cooperative. When selling business shares, however, members of the cooperative and the cooperative itself have the first option to buy, meaning that outsiders can purchase such business shares only if other cooperative members or the cooperative itself do not express an interest in purchasing those shares.

Distribution to members of incremental assets accumulated after 1 January 1989 is not restricted, it is subject to a decision by the autonomous governing board. Accordingly, even 100 percent of such increments may be distributed.

Members of industrial cooperatives have a onetime opportunity to increase their share certificates by double the amount of their prevailing basic pay. The share certificates ensure participation in self-governance.

[NEPSZABADSAG] How do cooperatives view the new opportunity for the distribution of property?

[Koveskuti] A decisive majority regards the collapse of the principle of indivisibility as the victory of joint efforts of cooperatives, as a revolutionary change.

[NEPSZABADSAG] Have there been arguments against this measure?

[Koveskuti] These days it is extremely difficult to formulate a viewpoint that satisfies everyone, regardless of what is at issue. There were people who felt that the assignment of 50 percent of the assets in traditional cooperatives to individuals was too high, and there were others who felt it was too low. There were some who felt that this kind of change in the law constitutes a betrayal of the cooperative movement. And there were others who regarded the change as administrative interference. In my view, the decisive and progressive aspect of the change is that we are seeing cooperative membership becoming real ownership.

Another subject that prompted debate was the fact that, having considered requests by several cooperatives, the law provides that property be assigned only to individuals who have been members of a given cooperative since 31 December 1988. The law applies not only to industrial cooperatives. This constitutes a disadvantage to those who in earlier days, in the interest of permitting the cooperative to change into a small cooperative, discontinued and voluntarily surrendered their membership in the cooperative. They requested the return of their share certificates and continued to work at the same place as employees. Based on negotiations with the Ministry of Justice, this disadvantage will cease as a result of the new law on cooperatives. In the meantime we recommended a temporary solution for our affected cooperative members.

Decision by the Autonomous Governing Board

[NEPSZABADSAG] Having increased the role of autonomous governing boards, the regulations delegate the handling of details, such as the extent to which free property and share certificates can be issued, and the manner in which assignments to persons are made, to autonomous bodies. Have these methods evolved already?

[Koveskuti] The extent to which divisible property can be assigned to individuals, the order by which members receive such property, is in the process of evolution. Cooperatives may decide for themselves whether they should make assignments of property to individuals, and if they do, to what extent they should assign such property within the legal limitations. In any event, the spirit of the law provides an incentive for the cooperatives' autonomous governing boards to distribute business shares to members proportionate to the member's capital contribution to the establishment of cooperative assets.

I am convinced that the changes in the law on cooperatives represents a great step toward increased interest in assets, and toward improving the disposition of our membership. Essentially, cooperatives are no longer at a disadvantage as compared to other types of organizations. The new law on cooperatives is being prepared. I am convinced it will settle any concerns and problems that still exist.

Economic Deregulatory Process Initiated

25000464a Budapest NEPSZABADSAG in Hungarian
13 Sep 89 p 5

[Text] After 15 September the government will deal only with legal provisions that have been commented on by the Economic Deregulation Council. MAGYAR KOZLONY will print only those ministerial and state secretarial decrees which have been approved by the 15-member governmental body now being established. This was announced at a press conference yesterday [12 Sep] by Tamas Sarkozy, the government commissioner for deregulation and chairman of the council.

In his introductory remarks Sarkozy said that in his view it was good that no Hungarian equivalent existed for the Latin word "deregulation," because the Latin term has more to it than could be translated into Hungarian. In Sarkozy's interpretation deregulation means a narrowing of legal provisions and the reduction of bureaucracy. At present we must fight bureaucracy with bureaucracy, the government commissioner and deputy minister pointed out. They then went on to report on the procedural rule of order that went into effect on Friday [8 Sep]. Sarkozy said that the measure applies to the economy in a broad sense, and that the council will review laws proposed by all ministries. The minister of the interior also has some deregulatory tasks to perform relative to the Foreign Ministry, the Defense Ministry, the Ministry of Culture, the Ministry of Justice (except for economic legal work), and the Office of the Council of Ministers, as well as to legal provisions created by councils.

The Council of Ministers decree requires all ministries to submit statements, complete with justification, concerning each decree issued by the respective ministry and concerning the Council of Ministers decrees and determinations affected by those decrees. The statements must indicate what the ministries propose to do with the decrees, i.e. whether they intend to maintain them unchanged, with a revised text, or perhaps with a new text. The deadline for such statements is 31 December 1989. Legal provisions the ministries do not comment on will become invalid as of 1 May 1990. Based on recommendations made by the government commissioner on deregulation, the Council of Ministers will decide on the renewal of each decree and determination, whether it intends to maintain a decree or determination unchanged or with a revised text, or if it requires that the decree or determination become invalid despite the desires of the ministry involved.

It would be more favorable to discontinue the superfluous mass of legal provisions by renewing the entire body of laws pertaining to the economy, i.e. by adopting new laws, Sarkozy said. This is not possible in the current political situation, however. Sarkozy also discussed the fact that there continues to exist an unreviewable quantity of direction and orientation provided by ministries which does not qualify as part of the body of laws. In regard to this Sarkozy recommends that the business sphere exercise "civil disobedience." Matters that are not legal provisions need not be obeyed. The Council of Ministers decree should extend to all areas of life, including taxation. This could also put an end to the system of secret directives issued by the Ministry of Finance.

The deregulatory process forces the apparatuses within ministries to work, in other words these apparatuses will have to respond in the future to the seven pages of densely typed questions contained in the Temporary Deregulatory Guide whenever they submit legal provisions for acceptance. The Temporary Deregulatory Guide requires calculations to be made concerning efficiency, occupational impacts, and other matters. It is conceivable that in the course of this large-scale deregulatory process certain provisions which protect consumers will also disappear. These will have to be corrected later.

Officials creating laws concerning the economy will have to state the manner in which a new legal provision fits into the system adopted by the European Economic Community. This is a first class economic interest from Hungary's standpoint, according to the government commissioner.

In the final analysis, deregulation serves the purpose of creating a market economy and of transforming the role of the state. Based on experience gained abroad, as much as one-fifth of the legal provisions may disappear as a result of this process. In Sarkozy's opinion the number of legal provisions to be examined at present may be between 40,000 and 60,000. "I am unable to give you an accurate figure, because in Hungary no accurate records on legal provisions exist," he responded to a question from NEPSZABADSAG. Our reporter also inquired about the number of jobs that may be discontinued as a result of reviewing the legal provisions. Deputy Minister Sarkozy did not provide a specific answer, but underscored the fact that the justice system will need the lawyers who become superfluous. This process does not affect the reorganization of ministries; in any event, the Council of Ministers has decided not to pursue the issue of governmental reorganization at this time. A future coalition government may produce an increased number of ministries, according to the government commissioner designated to cut back on bureaucracy.

SZOT Explains Withdrawal From Roundtable

*25000428b Budapest NEPSZAVA in Hungarian
31 Aug 89 p 5*

[Statement by the National Federation of Trade Unions]

[Text] In the past the National Council of Trade Unions [SZOT] has indicated a number of times that it is fundamentally interested in the establishment of a democratic institutional system within a multiparty system, and that it is also interested in ensuring conditions for a peaceful transition to accomplish this. It was this commitment that prompted the SZOT to join the group comprising the third party to the National Roundtable and to become involved in negotiations over political and economic matters.

The trade unions have much at stake in establishing public law and political conditions which enhance the productive work of interest groups, and which produce economic programs capable of accommodating salaried and wage earning employees in the transformation process.

The SZOT Presidium sees the results of its participation thus far in the fact that on a number of issues SZOT has been able to formulate acceptable compromises, while learning the details of thought processes and positions of individual parties, enabling SZOT to draw important conclusions on its conduct in the elections.

At the same time, however, in the present state of negotiations, the consequences of an anomaly can be increasingly felt. The anomaly referred to is the fact that the National Roundtable did not prepare its own agenda. For this reason—and primarily in lower and mid-level negotiations—the agenda is frequently decided by snap decisions and determinations.

The SZOT Presidium regrets to state that economic negotiations, which have a definite significance for trade unions, have not developed beyond the stage of expert debates. There is hardly any hope that these debates will result in agreements or in fixed legal standards.

The fact that it is becoming increasingly obvious that political mediations are becoming exclusive interparty forums is regarded by SZOT as an even more serious problem. On a number of important issues the third negotiating partner has no chance of making its view prevail. One example for this is the endeavor in the new election law to achieve that individual social organizations should also be able to participate on their merits in the elections. Above all, debate became tense over the issue of the right to nominate candidates, in the event that the Opposition Roundtable and the Hungarian Socialist Workers Party [MSZMP] recognize only the parties' right to nominate candidates.

In and of itself, however, this is no reason for the trade unions to draw the ultimate conclusion about their participation in the negotiations. What presents such cause is the fact that the Opposition Roundtable—in a

manner known to the public—questioned the equal standing of the third negotiating party, thus making it impossible for a tripartite consensus to evolve. Unfortunately, the third party was left to its own in the debate concerning equal standing.

The SZOT Presidium expresses deep concern that representatives of social organizations were not meant to play a real role in forming the future. The presidium believes that large masses of employed persons may be squeezed out of the formulation of political and economic conditions which are meant to serve the interest of peaceful transition.

Delegates of the trade union negotiating team do not intend to participate in the workings of the Political Mediation Committee representing organizations which have no rights, but bear only responsibilities. For this reason, the SZOT Presidium suspends further participation by the delegates of the trade union negotiating team, and will recommend to the SZOT plenary session to be convened next Wednesday that, after evaluating the circumstances, it permanently revoke the delegation's commission.

Budapest 30 Aug 1989
Presidium of the National Federation of Trade Unions

Energy Officials on Affects of Soviet Power Cut

25000428a Budapest NEPSZABADSAG in Hungarian
2 Sep 89 p 4

[Interview with Ferenc Kovacs, chairman of the electrical energy division, Hungarian Electrotechnical Society, and Janos Csato, network director of Hungarian Electrical Works Trust [MVMT], by "M. K.": "Uncertainties on the Electrical Energy Front"; date and place not given; first paragraph is NEPSZABADSAG introduction]

[Text] One quarter of Hungary's peak consumption, or 1,850 megawatts of electrical energy, is provided by the Soviet Union. The 10- to 12-percent reduction in the agreed-upon quantity announced by the Soviets for September rendered this year's 2-day meeting of the Hungarian Electrotechnical Society a timely event. The meeting ended yesterday [1 Sep]. We asked Ferenc Kovacs, chairman of the electrical energy division, why this social organization had chosen the electrical energy industry and the problems of service deliveries as its topic months ago.

[Kovacs] The undisturbed functioning of the electrical energy industry is a basic condition for undisturbed work in other branches of industry, of the oft mentioned structural change, and even of the population's good disposition. The growth that is hoped for in national income would also involve an increase in electrical energy consumption.

[NEPSZABADSAG] Nevertheless, many people would vote for a reduction in demand.

[Kovacs] That would create immense danger. We already have the lowest consumption rate in Europe. On the other hand, improvements could be made in specific uses of electrical energy. Between 1979 and 1985, a 1-percent increase in national income demanded a 3.36 percent increase in electrical energy consumption. During the same period the percentage for Austria was 1.3, for Denmark 1.25, and for Finland 1.63.

[NEPSZABADSAG] And what can we expect in the future?

[Kovacs] Peak demand estimates in Denmark between 1987 and 1992 call for an average annual increase of 1.6 percent, and 2.4 percent between the years 1992 and 2002. The percentages applicable to Spain for the same period are 2.8 and 3.1 respectively, and for Holland 1.7 percent throughout the period. These figures suggest that even if industrial plants and households change to modern technology and acquire modern machinery, an increase in the national income can be accomplished only by increasing the demand for electrical energy. A mistake in the estimate would have a rather serious effect, because a change of 0.5 percent in the rate by which peak demand increases would amount to 300-400 megawatts during the preparation and construction of a large basic power plant.

[NEPSZABADSAG] The Hungarian Electrical Works Trust expects only a modest annual increase of between 1.5 and 2.0 percentage points in this case.

Csato, who also gave a lecture, entitled "High Quality Electrical Energy Service Delivery Under Uncertain Conditions", at the meeting, addresses this issue in the following:

[Csato] Many feel that even this increase is too much. Due to the discrepancy between resource development and the expected increase in demand, we may experience difficulties in electrical energy transmission and distribution during the 1990's. The preplanning confidence factor is significantly reduced by the mutually strengthening and weakening effects of uncertain changes in consumption structure, the unavoidable consequences of changes in the production structure, and the way the total consumption structure's ability to pay evolves.

One thing is certain: Modern manufacturing technology and industrial growth are inconceivable without an increase in demand for electrical energy. Such indications can already be found in duty-free zones at the Western border. And these indications will hopefully increase if large amounts of the long-awaited foreign capital flow into Hungary.

[NEPSZABADSAG] The population has some reserves, I believe. It is well known that most of our household appliances consume much energy.

[Csato] This is true, but our household electronics market is far from saturated. Along with the traditional appliances, new ones—microwave ovens, toaster ovens,

etc.—are available. We are trying to make better use of the capacity of existing systems. This purpose is served by the multiple tariff system. We began experimenting with that almost a year ago. In various areas of the country, in 30,000 consumer homes, we installed modern electric meters manufactured by the Godollo Electric Meter Works. With the help of this meter the consumer can manage his own consumption. He may decide whether he wants to use more expensive energy during peak hours or lower cost energy outside of peak hours. The peak hours change with the seasons.

[NEPSZABADSAG] What can your society do to ensure undisturbed electrical energy supplies?

[Csato] The society is bringing together experts from various disciplines in this field, from network developers to high voltage machinery manufacturers, to seek complex solutions to the complex problem. During the past years we have contacted the government twice in the interest of constructing appropriate power plants and developing a related balanced network.

Soviet Exhibitors Explain Delayed Power, Gasoline Deliveries

*25000445a Budapest NEPSZAVA in Hungarian
6 Sep 89 p 4*

[Unattributed article: "Gasoline Shipments Were Reduced as a Result of Soviet 'Greens' Activities"]

[Text] An exhibit of scientific and technical novelties opened yesterday afternoon at the Soviet Culture and Science Building in Budapest. Research institutes, producing associations, universities under the Soviet State Educational Committee, and academies and enterprises related to the Soviet State Invention Committee are presenting some 250 technical and scientific developments to the Hungarian public at the exhibit.

The exhibit encompasses a number of areas. During the first week, between the 5th and 12th of September, software developed for higher education, medical and environmental protection instruments, and automatic control and measuring instruments will be exhibited. Between 18 and 24 September, interested persons may familiarize themselves with electronic medical instruments, entertainment electronics, and scientific research instruments. Novelties in the field of machine manufacturing, materials processing, and instrumentation can also be seen.

This exhibit is distinguished from previous years' shows by its fundamentally commercial and business orientation. The Soviet party feels that forms of cooperation may range on a rather broad scale, from the development of intellectual products to the manufacture of finished goods. For this reason the organizers make no secret of the fact that they intend to consummate contracts for the sale of finished products, technical documentation, and know-how, but they are prepared to reach agreements on cooperative and joint venture projects.

The series of exhibits will not end with the September show of products. An exhibit entitled "Forty Years of Soviet-Hungarian Technical and Scientific Cooperation" will open on 9 October. Visitors may view that exhibit in Eger, in addition to Budapest. The last large exhibit of the year will be the introduction of Soviet Latvia. It will be held in Miskolc in October, and at the Soviet Culture and Science Building of Budapest in November.

Answering reporters' questions at a press briefing, Soviet specialists provided a brief report on reduced electric power deliveries which evoked great sensation in the recent past, on the exporting of Lada cars, about railroad problems that evolved at Csap, and on gasoline deliveries to Hungary.

With regard to electrical energy deliveries, the specialists said that until the middle of August they made deliveries according to the contract, but on 20 August an accident occurred in the unified electrical system of the Ukraine. As a result of 4 days of repairs they fell behind with the production of 50 million kilowatt hours of energy, but the specialists promised to continue with their deliveries soon in the usual order. Regarding cars, the specialists said that this year they contracted for the delivery of 28,000 cars. They will deliver 35,000 instead. The additional 7,000 cars represent delayed deliveries on previous commitments.

In the Soviet specialists' view the receiving of trains at Csap is disorganized because both the Hungarian and the Soviet parties endeavor to complete quarterly deliveries during the last days of each quarter. This increased traffic exceeds the railroad handling capacity at Csap. In conclusion they stated that as a result of a movement by "Greens" in the Soviet Union, they had to stop the operation of a few crude oil refineries, causing a reduction in gasoline exports. It is expected that lower quantities of gasoline of the 76 and 92 types will be shipped in September, but they plan to catch up with deliveries during the fourth quarter.

Consumer Price Index Published

*25000441a Budapest FIGYELO in Hungarian
31 Aug 89 p 7*

[Article by Gaspar Fajth: "Inflation During the Past 12 Months: Who Will Pay the Bill?"]

[Text] Thanks to a series of booklets to be published by the Central Statistical Office [KSH], beginning this year we will be able to take a closer look at Hungarian inflation. The most recent issue, "Consumer Price Index No 2, KSH August, 1989" reports on price changes of the past 12 months, and shows some rather drastic price increases.

Only one-third of the 18.2 percent increase in price levels since last June can be attributed to price increases that took place during the second half of last year. Two-thirds of it is a result of price increases ordered by the central

government or initiated by enterprises. The summary listing of information on price increases during the 12-month period ending June 1989, as published by the press, is instructive. These price increases are enumerated in three pages of the publication. The overall picture that emerges confirms and supplements the detailed data—95 merchandise categories—of the statistical assessment. Price increases have primarily affected goods needed in everyday life, basic products, although the cost of a great variety of consumer goods and services has also increased. The statistics show a 10-30 percent increase in goods with unregulated prices, such as clothing. Official reports usually do not include price increases in this category. During the past 12 months infant and children's clothing prices have increased by an additional 10 to 14 percent, over and above the price increases that took place in early 1988.

The increase in domestic consumer price levels reached new dimensions beginning in the second half of 1987, in the wake of an economic policy change coinciding with the installation of the Grosz government. Measures taken to moderate the fiscal unbalance, the new tax reform, and the double digit inflation that resulted from forint devaluations had the most impact on low income families and families with more than one child. In this group the amount of disposable income is lower and basic goods play a greater role in consumption. But even so, the price index applied to low income families and families with more than one child was 2 to 3 percent higher than the average, due to higher than average price increases in certain food products, children's clothing and other juvenile merchandise, and household energy resources.

During the last 12 months there was a trend toward a price increase in individual merchandise categories which satisfy more sophisticated consumer demands and are purchased by individuals in higher income brackets.

Within the category of basic goods, for example, the cost of household and personal hygiene products, health care and physical fitness products, and costs related to culture and communication, all of which constitute a greater part of the expenditures of persons in higher income brackets, increased at an above-average rate. Among food products, the price of better quality meat increased faster than average meat prices. Additional household expenditures were also incurred by persons in higher income brackets, because they have the money for construction and home improvement. Price increases for luxury merchandise have followed a similar pattern during the past 12 months. The prices of better quality vehicles increased at a faster rate than those of personal vehicles which satisfy less demanding needs. (At the same time some opposite trends were also observed, for example price reductions(!) in the field of communications equipment—durable consumer goods. These types of products were purchased mostly by families with above-average income levels.)

Thus, in the end, during the past 12 months the consumer price index for persons in higher income brackets (118.5) was somewhat higher than the index for persons in lower income brackets (118.1).

At the same time, however, during the same period the consumer price index in households with pensioners (118.4) and families with more than one child (118.5) exceeded the average price index. As a result of the July energy price increases, the price index for pensioners will be even higher than for households with working members. Following a significant difference reported last year, the price index applicable to families with more than one child will once again exceed the price index applicable to childless couples by 1.5 percent. Considering the fact that the potential for households with pensioners and with more than one child to acquire supplemental income is restricted, the higher than average price index applicable to these strata is clearly an unfavorable phenomenon. As we know, we must all contribute to paying the bill. But more and more frequently payment is coming from different sources, rather than from a single source.

Officials Discuss Methodology for 1990 Census

25000469c Budapest NEPSZABADSAG in Hungarian
13 Sep 89 p 1

[Text] Central Statistical Office [KSH] executives held a professional level meeting yesterday concerning the 13th regular decennial full-scale Hungarian census to take place in 1990. Members of the press participated in the meeting. What is the economic and societal significance of the 1990 census? What methods will be used for the survey, and most importantly, what guarantees exist to prevent the abuse of data contained in the questionnaires? These were the issues discussed at the meeting.

In their introductory remarks KSH officials said that for financial reasons this was the first time in many years that the possibility of using a 10-percent representative sample of the population for census purposes had been considered. The cost of a full-scale census is 700 billion forints. In the end, however, based especially on views expressed by scientific institutions, they decided that it would be most important to obtain a full-scale social and economic cross section, particularly due to the current situation in the country. In the course of test surveys, statisticians gained experience with certain questions which elicit resistance on part of the population. For this reason certain questions were deleted from the final questionnaires. Thus, for example, they will not ask questions about people's resort properties, the amount of rent they pay, how much their monthly mortgage payments are, or what durable consumer goods they own. In brief, surveyors will not press issues that would reveal people's financial situations.

Positive Balance in Foreign Tourism Reported*25000469a Budapest NEPSZABADSAG in Hungarian
13 Sep 89 p 5*

[Unattributed article: "Dollar Comes and Goes"]

[Text] The National Foreign Tourism Office has said that between January and the end of July, 11.634 million tourists visited Hungary, and that 550,000 of them came to Hungary expressly for purposes of tourism. It is noteworthy that the number of tourists from socialist countries increased by 40 percent over the number recorded in a similar period a year before, and that the number of tourists from capitalist countries (1.857 million) was 22 percent higher than the previous year.

Revenues from tourism subject to settlement in rubles approached the 6-billion-forint level—a 54-percent increase. Tourism not subject to settlement in rubles produced 22 billion forints, representing a 41-percent increase over revenues during the first 7 months last year. Expenditures incurred by tourism subject to settlement in rubles amounted to 2 billion forints, or 24 percent less than last year. At the same time, tourism subject to settlement in convertible currencies produced more than 42 billion forints in expenditures, 3.5 times the amount expended in dollars a year earlier. In July, during the summer peak season, there was an 88-percent increase. This indicates that the shopping fever slowed down during this period and that travel for purposes of tourism increased.

Japan To Provide Export Sales Guarantee*25000447b Budapest NEPSZABADSAG in Hungarian
8 Sep 89 p 5*

[Text] News agencies reported the other day that Japan intends to stimulate Japanese investments in, and exports to Hungary through a \$400 million government guarantee.

The favorable news was only partly confirmed by the Ministry of Commerce. As the MTI [Hungarian News Agency] reporter was told, the \$400 million government guarantee applies to export sales only, even though guaranteed capital investments are of primary importance from Hungary's standpoint.

With respect to Hungary, Japan has granted government guarantees amounting to \$200 million to Japanese enterprises in the past. The Hungarian National Bank [MNB] took advantage of only a small part of the credit offered because the MNB prefers credits and bonds obtained at money markets. The terms of these loans are more favorable, and more importantly, their use is unrestricted. All of this means that the significance of the \$400 million Japanese government guarantee is smaller than expected, because it does not stimulate Japanese investments in Hungary.

Although at present more than 680 mixed nationality enterprises are operating in Hungary, only a few Japanese-Hungarian enterprises exist. On the other hand, it is true that these Japanese enterprises are strongly capitalized. Spectacular progress could be expected in the event that the guarantee extends to cover the establishment of mixed nationality enterprises. If they were aware of the fact that their investments were secure, in addition to the significant capital investors some smaller investors could also appear on the Hungarian market.

Budapest McDonald's Leads Chain in Sales*25000447c Budapest NEPSZAVA in Hungarian
8 Sep 89 p 9*

[Text] The Babolna-McDonald's joint enterprise opened its first fast-food restaurant in Budapest's Regiposta Street in the middle of last year. The outlet recorded its largest sales volume last August: almost 245,000 customers were served. Thus far the largest weekly revenue of the restaurant has amounted to 7 million forints. At present, a daily average of 7,500 people buy coupons at the cashiers, but there have been days when there were as many as 9,500 customers.

Not even the American partners of the agricultural combine counted on such volume. They informed the Babolna management that of the more than 11,000 McDonald's restaurants, the one in Budapest has recorded the highest sales volume. The Babolna-McDonald's joint enterprise has begun to build its fast-food restaurant network. A restaurant will be opened at Győr in December, and the chain will open its third outlet in January, in Budapest's Western Railroad Terminal. Representatives of the joint enterprise have signed a 20-year agreement.

Swedish Joint Venture in Food Packing Materials Formed*25000468a Budapest NEPSZABADSAG in Hungarian
16 Sep 89 p 10*

[Text] Documents of incorporation for TETRA PAK Hungaria, Inc were signed Friday [15 Sep] at the National Savings Bank [OTP] headquarters by representatives of the OTP, the Swedish firm Tetra Pak, and the World Bank subsidiary corporation IFC [International Financial Corporation]. The mixed nationality enterprise will produce packaging materials for liquid food products.

Israeli Joint Venture in Industrial Training*25000469b Budapest NEPSZABADSAG in Hungarian
13 Sep 89 p 10*

[Text] A Hungarian-Israeli educational joint enterprise will be established if the business negotiations of the Degem System Co. in Budapest are successful. They intend to work with the Hungarian Credit Bank in organizing educational and training work in the field of industrial technology development.

Cotton Mill Joint Enterprise Formed With Panama

*25000447d Budapest NEPSZAVA in Hungarian
9 Sep 89 p 16*

[Text] "Masterpieces, Ltd." is the name of a joint enterprise that has been established by Masterfil Cotton Mill Enterprise and the Panamanian firm Universal Supply Company, Inc of Panama City. Masterfil provided 57 percent of the total capital of 250 million forints. The Panamanian firm contributed 43 percent.

Turkish-Hungarian Joint Venture in Chemicals

*25000446d Budapest NEPSZAVA in Hungarian
12 Sep 89 p 10*

[Text] Chemolimpex and the Turkish firm Unimeks have established a joint enterprise named "Chemol-Istambul." The mixed nationality enterprise was established with an initial capital of \$100,000. Its primary purpose is to increase the sales volume of Hungarian chemicals in Turkey, and perhaps to sell those chemicals in third markets.

POLAND

Interim Period Urged in Privatizing State Properties

*26000689 Warsaw GAZETA WYBORCZA in Polish
10 Aug 89 p 3*

[Article by Ernest Skalski: "What Is To Be Done With State Property? The Management Version"]

[Text] Landholder estates can be divided up easily and without complication. The state can take over and staff factories, banks, and the like hour by hour. But privatization or socialization of the majority of state businesses, if it is to make economic sense, is a complicated and time-consuming measure. And time is what we really do not have.

But it is not just time that is at issue here. Anybody who has to undertake such a business: a company, a self-management body, an individual, another business, an oversight board, etc., must first do some arithmetic. They must first find out what profit they can count on, and under what conditions it is worthwhile to take over that object. Similarly, the party offering the object, in other words the national treasury, must do its own calculation of those conditions. Well, in an ongoing socialist economy, such a calculation is impossible.

We sometimes forget that we live in an unaccountable system, that all prices, all valuations are based on the shifting sand of administrative decrees. Somebody decided that grain will cost so much, electricity so much, and a lathe so much; that the official depreciation period for the various things that make up an economy is this

and not some other; and that it is permissible, from time to time, to manipulate these prices.

Moderately real prices can only be established in a market with many participants, not within the monopoly that is a socialist state of which state businesses form a part. So how, then, am I supposed to commit my savings, in advance, to buy shares, say, of the Katowice Iron and Steel Combine, if I cannot do a standard computation until almost all of the country's production assets have been parcelled out? Right now I do not even know how much the foundry is going to be worth for scrap at that time!

Under conditions like this, the only thing possible—and to some extent, indicated—is to enfranchise the nomenclatura and only under conditions that cannot but turn out to be good for it, even in the dark. And all of the recently conceived ideas about issuing stock for assets: as registered stock, unregistered stock, employee-owned stock, transferable stock, nontransferable stock, preferred and common, all of the concepts of oversight boards and for the distribution of votes and dividends that have been thought up are an empty game until such time as there is some kind of market. But because a market cannot exist as long as things are the way they are, some kind of transition period is required, one that would create a market situation even before property issues are permanently resolved. And there is a way to do this; it is just that it has never been applied on a scale encompassing almost the entire economy.

Management of the national economy under communism alone is predicated on the economy being part of the state administration, a complicated structure comprising a central planning agency, a gang of deputy premiers, departments, societies or associations, guilds or communities, multiplant enterprises or combines, and finally all manner of cooperative associations that are de facto not cooperatives at all.

So this entire structure, above and beyond the workplace, can and must be disentangled by force of decree, in a single day, having first taken care of the personal interests of those who comprise it. By doing so, we get rid of parent agencies without transferring their role to anyone else. At the same time, the decree commands somebody to set some kind of prices, wages, coefficients, government orders, and operation plans. The state will cease to dole out energy and raw and strategic materials, selling all of this at market prices to anyone who wants to buy. And if the state needs to have some resources, it buys them in the normal manner at the same prices.

The orphaned businesses should be handed over to directors to manage: either their present ones or those called forth quickly by competition. Such a director would manage the business as if it were his own, within the bounds of general directives. Nobody would have the right to tender any instructions to him about his personnel policies or wages, the type of production, investments, and even—and this is the most important—the

sale of part or all of the business, mergers, dividing it, etc. The sole difference between him and a private owner would consist in that the profit and receipts from sale of the property would go into the state treasury.

It would even be safer not to convene the special national board theorized by B. Geremek, because the board would immediately begin to govern. And this involves specifying only what the representative of the national treasury can concern himself with. The director, on the other hand, would have a modest percentage of the profit to keep him interested in increasing it, and a substantial share in receipts from a sale, to shield him from the temptation to squander fixed assets.

After an operation of this type, enterprises, even as they remain state property, would enter the market as separate subjects. Thus, moderately real prices would form for everything, including fixed assets. Transfer of property, once on a market basis, would take place fairly rapidly. And if part of it would still remain state property, it would somehow have to pay off for the state and its managers.

This procedure certainly has a large number of faults, but it has the advantage that it could be carried out quickly, and would be more effective than many other ideas, though further from the ideal.